Janco Holdings Limited
駿高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8035

ANNUAL REPORT 2020

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Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Ng Chin Hung *(Chairman and Chief executive officer)*
Mr. Cheng Tak Yuen
Mr. Tai King Fung

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
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Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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Hong Kong

HONG KONG LEGAL ADVISER

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

AUDITOR

McM (HK) CPA Limited
Certified Public Accountants
3/F., Parklane Building
233 Queen's Road Central
Hong Kong

COMPANY'S WEBSITE

www.jancofreight.com

PRINCIPAL SHARE REGISTRAR

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Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

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

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

STOCK CODE

8035

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of Directors ("**Board**"), I am pleased to present the annual report of the Group for the year ended 31 December 2020.

In 2020, the Group experienced a year full of challenges. The global freight forwarding industry was influenced by the outbreak of Novel Coronavirus ("**COVID-19**"), uncertain political and economic events, such as trade frictions between China and the United States. Nonetheless, the Group had an improvement in profit margin for logistics business in 2020 after the execution of warehouse integration for its logistics business in 2018. Increase in profit margin for the air-freight forwarding business, logistics business and e-commerce fulfillment business also led to an increase in operating profit recognised during 2020.

In order to cope with keen competition economic uncertainties and the negative impact brought by COVID-19, the Group has tried to diversify its business and expand its customer base. In 2020, the Group further expanded its e-commerce fulfillment business in the United States and China, which made significant contribution to the increase in revenue of the Group in 2020. In addition, during the last three years, the Group also expanded its logistics business through warehouses integration, upgrading the warehouse management system and renovating warehouses.

2021 OUTLOOK

Since January 2020, the outbreak of COVID-19 has an impact on the global business environment. Up to the date of this annual report, the management is of the view that COVID-19 has not resulted in a material impact to the Group. However, the development of COVID-19 after the date of this annual report may bring further changes in the economy, which 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.

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

APPRECIATION

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

Ng Chin Hung
Chairman and Chief executive officer

Hong Kong, 19 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

During the year ended 31 December 2020, we are expanding our e-commerce fulfillment services for cross border e-commerce traffic from overseas as well as outbound traffic from China to worldwide.

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

FINANCIAL REVIEW

Overview

Our revenue was predominately generated from our freight forwarding services, logistics services, e-commerce and fulfillment services. For the years ended 31 December 2019 ("**FY2019**") and 31 December 2020 ("**FY2020**"), our total revenue amounted to approximately HK$412.3 million and HK$487.6 million, respectively. Our profit attributable to the shareholders of the Company (the "**Shareholders**") amounted to approximately HK$11.2 million for FY2020, while our loss attributable to the Shareholders for FY2019 amounted to approximately HK$18.1 million.

Revenue

We generate revenue from the provision of our core freight forwarding services and our logistics services (including e-commerce business). The revenue recorded represents the fair value of the consideration received or receivable and represents amounts receivable for services provided in our normal course of business and net of discount. Our revenue amounted to approximately HK$412.3 million and HK$487.6 million for FY2019 and FY2020, respectively. Our growth in total revenue from FY2019 to FY2020 was primarily attributable to the growth in revenue from our air freight forwarding and E-commerce fulfillment services.

The following table sets forth a breakdown of our revenue by business segment during FY2019 and FY2020:

Revenue by business segment

	Year ended 31 December			
	2020		2019	
	HK$'000	%	HK$'000	%
Freight forwarding —	**277,042**	**56.8**	218,613	53.0
Air freight	**201,569**	**41.3**	114,736	27.8
Ocean freight	**75,473**	**15.5**	103,877	25.2
Logistics	**105,327**	**21.6**	111,583	27.1
E-commerce				
— trading	**4,280**	**0.9**	–	–
— fulfillment	**100,992**	**20.7**	82,123	19.9
Total	**487,641**	**100.0**	412,319	100.0

Revenue of the Group increased by approximately 18.3% from approximately HK$412.3 million for FY2019 to approximately HK$487.6 million for FY2020. The increase in revenue was mainly contributed by the increase in revenue from air freight forwarding business and e-commerce fulfillment services by approximately HK$86.8 million and HK$18.9 million, respectively, partially offset by the decrease in sea freight forwarding business and ancillary logistics services by approximately HK$28.4 million and HK$6.3 million respectively. Revenue from air freight forwarding services increased for FY2020 mainly due to the increase in shipment volume under the orders placed by both of our existing and new customers during FY2020.

The increase in revenue from e-commerce fulfillment services was mainly contributed by the increase in orders placed by new customers and our existing customers during FY2020.

Revenue from our ancillary logistics services decreased for FY2020. It was mainly due to the decrease in sales of our ancillary logistics services to customers with lower margin.

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 FY2020.

Cost of Sales and Gross Profit

Cost of sales by business segment

	Year ended 31 December			
	2020		2019	
	HK$'000	**%**	HK$'000	%
Freight forwarding —	**251,234**	**59.4**	195,457	51.5
Air freight	**183,338**	**43.4**	103,195	27.2
Ocean freight	**67,896**	**16.0**	92,262	24.3
Logistics	**86,237**	**20.4**	104,348	27.5
E-commerce				
— trading	**3,909**	**0.9**	–	–
— fulfillment	**81,538**	**19.3**	79,526	21.0
Total	**422,918**	**100.0**	379,331	100.0

Cost of sales increased by approximately 11.5% from approximately HK$379.3 million for FY2019 to approximately HK$422.9 million for FY2020. The increase in cost of sales was mainly contributed by increase in air freight forwarding business of approximately HK$80.1 million and increase in e-commerce fulfillment business of approximately HK$2.0 million for FY2020 when comparing with FY2019. The increase in cost of sales for air freight forwarding business was mainly due to the increase in freight volume. The increase in cost of sales for e-commerce fulfillment services was mainly attributable to the increase in warehouse service charges and packing material costs. Such increase was in line with the increase in our revenue from air freight forwarding business and e-commerce fulfillment business.

Gross profit and gross profit margin by business segment

	Year ended 31 December			
	2020		2019	
	HK$'000	**%**	HK$'000	%
Freight forwarding —	**25,808**	**9.3**	23,156	10.6
Air freight	**18,231**	**9.0**	11,541	10.1
Ocean freight	**7,577**	**10.0**	11,615	11.2
Logistics	**19,090**	**18.1**	7,235	6.5
E-commerce				
— trading	**371**	**8.7**	–	–
— fulfillment	**19,454**	**19.3**	2,597	3.2
Total	**64,723**	**13.3**	32,988	8.0

Gross profit increased by approximately 96.1% from approximately HK$33.0 million for FY2019 to approximately HK$64.7 million for FY2020. Gross profit margin increased from approximately 8.0% for FY2019 to approximately 13.3% for FY2020. The increase in gross profit was mainly attributable to the increase in gross profit of e-commerce fulfillment business and ancillary logistics business from approximately HK$2.6 million and HK$7.2 million for FY2019 to approximately HK$19.5 million and HK$19.1 million for FY2020, respectively. The increase in gross profit margin was mainly attributable to the increase in gross profit margin of e-commerce fulfillment business and logistics business for FY2020 which are used to be our profitable segments.

Other income

Other income increased significantly by approximately HK$9.0 million, or 9,000% from approximately HK$0.1 million for FY2019 to approximately HK$9.1 million for FY2020. The increase in other income mainly was due to a one-off government subsidy under the Employment Support Scheme of the Government of the Hong Kong Special Administrative Region of approximately HK$8.3 million.

Other gains and losses, net

The Group recorded other losses of approximately HK$0.3 million for FY2019 and approximately HK$2.3 million for FY2020, representing an increase in other losses of 666.7%, which was mainly due to loss on disposals of property, plant and equipment of approximately HK$2.0 million.

Administrative expenses

Administrative expenses decreased slightly by approximately 7.0% from approximately HK$45.5 million for FY2019 to approximately HK$42.3 million for FY2020. The decrease in administrative expenses was mainly due to the decrease in our legal and professional fees by approximately HK$1.7 million.

Finance costs

Our finance costs represent interest expenses on bank borrowings and finance lease, which amounted to HK$5.9 million (2019: HK$7.0 million). The range of effective interest rate on our bank borrowings is from 2.0% to 4.6%. Interest rates underlying all obligations under our finance lease were fixed at respective contract rates ranging from 2.0% to 6.1% per annum during FY2020 (FY2019: 3.3% to 6.1%).

Income tax expense

Income tax expense represented the provision of Hong Kong profits tax calculated at 16.5% of the estimated assessable profits during FY2019 and FY2020, respectively. The income tax expense of the Group for FY2020 was HK$1.4 million (2019: income tax credit of HK$0.6 million).

Profit/(loss) attributable to owners

For FY2020, the Group recorded a profit attributable to owners of the Company of approximately HK$11.2 million as compared to the loss attributable to owners of the Company of approximately HK$18.1 million for FY2019. The increase in profit and total comprehensive income was mainly due to the increase in gross profit margin for our e-commerce fulfillment and logistics business for FY2020.

DIVIDEND

No final dividend for FY2020 is proposed by the Board.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group as at 31 December 2020 was 0.64 times as compared to that of 0.50 times as at 31 December 2019. The increase was mainly due to increase in trade receivables and deposits. As at 31 December 2020, the Group had total bank balances and cash of approximately HK$8.2 million (2019: approximately HK$4.0 million). The gearing ratio, calculated based on the total obligations under bank borrowings divided by total equity at the end of the year and multiplied by 100%, stood at approximately 249.3% as at 31 December 2020 (2019: approximately 324.0%). With available bank balances, cash and bank credit facilities and financial support of controlling Shareholder, the Group has sufficient liquidity to satisfy its funding requirements.

COMMITMENT

As at 31 December 2020, the Group did not have any material capital commitment (2019: HK$Nil).

CAPITAL STRUCTURE

The shares of the Company (the "**Shares**") were listed on GEM of the Stock Exchange on 7 October 2016 (the "**Listing**" and the "**Listing Date**", respectively). There has been no change in the Company's capital structure since the Listing up to the date of this report. 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 would consider the cost of capital and the risks associated with each class of capital. The Group will adjust its overall capital structure through the payment of dividends, issuance of new shares as well as the repayment of borrowings.

SEGMENTAL INFORMATION

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

CHARGE ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2020, the Group had certain charges on assets which included (i) bank deposits of approximately HK$17.4 million and (ii) deposits placed in life insurance policies of approximately HK$111.8 million pledged as collateral for the Group's bank borrowings and facilities.

The Group has no material contingent liabilities as at 31 December 2020.

MATERIAL ACQUISITIONS AND DISPOSAL

During FY2020, the Group obtained control of its existing joint venture, Jandoor Supply Chain Management Limited ("**Jandoor**") through its wholly owned subsidiary — Janco Ecommerce Solutions Limited (the "**Jandoor acquisition**"), with effect from the completion of the Jandoor Acquisition, the effective interest of the Group in Jandoor was 50% at nil consideration. Since Jandoor Acquisition was made at nil consideration, Jandoor Acquisition does not constitute a notifiable transaction under Chapter 19 of GEM Listing Rules and was a fully-exempted connected transaction under Chapter 20 of the GEM Listing Rules, which is exempted from shareholders' approval, annual review and all disclosure requirements.

On 1 January 2020, Janco Global Logistics Limited, a wholly-owned subsidiary of the Company, entered into an agreement with two individual third parties. Pursuant to the agreement, Janco Global Logistics Limited was required to contribute US$70,000 (equivalent to approximately HK$543,000) for 7,000 shares in JEC USA, representing 70% of the ordinary shares of JEC USA in issue and, and therefore the Group has 70% profit sharing in JEC USA. However, the decisions on the relevant activities of JEC USA are required to be unanimously approved by Janco Global Logistics and the other two venturers. Therefore, JEC USA is regarded as a joint venture of the Group but not a subsidiary of the Group. During the year ended 31 December 2020, the share of profits in JEC USA of approximately HK$81,000 was recognised in the share of (losses)/profits of joint venture.

Save as disclosed above, the Group had no material acquisitions and disposals of subsidiaries, associates or joint ventures during FY2020.

MAJOR TRANSACTION

On 6 October 2020, a lease agreement was entered into between 35plus Limited, an indirect wholly-owned subsidiary of the Company, as lessee, and Harvest Hill (Hong Kong) Limited (溢峰(香港)有限公司) as lessor in respect of a premises for a term of three years commencing from 1 January 2021 to 31 December 2023 (both dates inclusive), with an option to renew for a further term of three years commencing from 1 January 2024 to 31 December 2026 (both dates inclusive). The transaction constitutes a major transaction under the GEM Listing Rules. For further details, please refer to the announcement of the Company dated 6 October 2020 and the circular of the Company dated 18 November 2020.

FUTURE PLANS

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

Expecting significant growth in e-commerce revenue in the future, we are constantly improving our selection of solutions to our customers. Our intention is to become a major logistics service provider across the region. We are also enhancing our capability and strengthening our last mile delivery transit time as well as simplifying our e-commerce process to increase our efficiency. We will also continue to capture the growing opportunities arising from cross border e-commerce traffic from overseas as well as outbound traffic from China to worldwide.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

As the Group's revenue generating operations are mainly transacted in HK$ and USD, the Directors consider the impact of foreign exchange exposure to the Group is minimal. The management will consider hedging significant currency exposure should the need arise. As at 31 December 2020, the Group did not have any financial instruments for hedging purpose.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, the Group employed 172 (2019: 149) full time employees. We determine the employee's remuneration based on factors such as their performance, qualification, position, duty, contributions, years of experience and local market conditions. The Group would conduct review on the remuneration package of the employees regularly.

SIGNIFICANT INVESTMENTS AND PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save for (a) investment in its subsidiaries by the Company and (b) a life insurance policy as disclosed below, the Group did not have any significant investments held as at 31 December 2020. Save as disclosed in this annual report, the Group does not have any plans for material investments or capital assets as at 31 December 2020.

INSURANCE POLICY

In July 2018, Janco Global Logistics, being a subsidiary of the Company, placed deposits amounting to HK$100.0 million in a life insurance policy (the "**China Taiping Insurance**") purchased from China Taiping Life Insurance (Hong Kong) Company Limited for the main purpose of obtaining banking facilities from a bank. The background and key terms of the China Taiping Insurance are set out in the Company's announcement dated 3 January 2020. The Company intends to hold the China Taiping Insurance until the date of maturity.

The following table sets forth the movement of the China Taiping Insurance during FY2020:

	Carrying amount as at 31 December 2019 HK$'000	Disposal during the year HK$'000	Addition during the year HK$'000	Accrued interest earned during the year HK$'000	Carrying amount as at 31 December 2020 HK$'000	Percentage to the Group's total assets as at 31 December 2020
China Taiping Insurance	104,642	–	–	1,913	106,555	35.4

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Ng Chin Hung, aged 57, has over 36 years of experience in freight forwarding, logistics and supply chain industries. He joined the Group on 2 January 2019 as General Manager. He is responsible for overseeing the overall corporate development, strategic planning and management of the Group. Prior to joining the Group, he worked in Maersk Line (Hong Kong) Limited from 1983 to 1985, being a company engaging in the provision of container shipping and terminals, freight forwarding services and logistics services. From 1985 to 1990, he worked in United Distribution Services (Far East) Limited, being a company engaging in the provision of logistics services. In 1990, he co-founded Cargo Services (Far East) Limited, being a company engaging in the provision of freight forwarding services and he served as the Deputy Managing Director when he left the company in 2018. Mr. Ng is currently a District Member of Chinese People's Political Consultative Conference in Guangzhou of the People's Republic of China.

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

Mr. Cheng Tak Yuen, aged 44, is currently a director of air-freight operation, Mr. Cheng has over 26 years of experience in freight forwarding and logistics industries. He joined the Group on 14 April 2000 as Operation Supervisor. He is responsible for overseeing the air freight forwarding business of the Group. Prior to joining the Group, he worked in various freight forwarding companies.

Mr. Tai King Fung, aged 40. He is responsible for overseeing the sea freight, air freight, courier and ecommerce consolidated logistic business of the Group. Mr. Tai has over 18 years of experience in freight forwarding and logistics industries. He joined the Group in August 2003 and left in July 2005 with his last position as a branch manager. Mr. Tai re-joined the Group in October 2008 as a General Manager.

Mr Tai has been chairman and adviser of several business chambers. He is the founding chairman of Silk Road Development Association since 2014, a member of the Advisory Committee of the Hong Kong Trade Development Council for Logistics Industry since 2018, the adviser of the Hong Kong Trade Development Council's Business Advisory Service since 2019, a distinguished expert of the Guangzhou Industry and Trade Technician College since 2019, a member of the Advisory Committee of the Gratia Christian College School of Business since 2017, and a consultant of the Federation of Returned Overseas Chinese of Guangzhou Haizhu district since 2019.

Mr. Tai graduated from the Chinese University of Hong Kong with a bachelor's degree in business administration in 2003. He also obtained a master's degree in business administration from Holmes Institute in 2018. He is currently a doctoral student in enterprise management in the Shanghai University of Finance and Economics. Mr Tai got the "Youth Leader Award" in 2016. Mr. Tai is the nephew of Mr. Cheng Hon Yat who is a controlling shareholder of the Company.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Kwong Chak, Bonnio, aged 57, is currently the director and the founder of Keystones Investment Limited, a company principally engaging in property investment in Cambodia. Mr. Lee was the deputy chief financial officer of Cargo Services Far East Limited, a Hong Kong subsidiary of the Cargo Services Group, which is a global logistics solutions provider, from June 2016 to November 2018. From November 2012 to November 2015, Mr. Lee worked as the director of Asia operating costs and controls in the group companies of TTM Technologies, Inc, the common stock of which is listed on NASDAQ (stock code: TTMI). Mr. Lee was the financial director of Shakespeare (Hong Kong) Limited, a Hong Kong subsidiary of Jarden Corporation, a company listed on the New York Stock Exchange (stock code: JAH), from March 2010 to October 2011. Mr. Lee worked as a senior manager of KPMG from October 2008 to February 2010 and was responsible for business advisory work. From April 1994 to October 2008, Mr. Lee worked in various posts in Nortel Networks Inc. and his last position was Asia operation finance leader.

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

Mr. Pang Chung Fai, Benny, aged 48, is currently the sole proprietor of Benny Pang & Co. Between 1997 and 2017, Mr. Pang practised as a lawyer with several international law firms in Hong Kong and Sydney. Mr. Pang received his bachelor's degree in laws (honors) from Bond University, Australia, in 1996. In 1997, Mr. Pang obtained his Graduate Diploma in Legal Practice and master's degree in laws from The College of Law, Sydney and the University of New South Wales, Australia, respectively. He was admitted as a legal practitioner of the Supreme Court of New South Wales, Australia in 1997 and as a solicitor of the High Court of Hong Kong in 2009. He is a member of both the Law Society of New South Wales, Australia and the Law Society of Hong Kong.

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

Mr. Chan Fei Fei, aged 39, is currently the company secretary and financial controller of Reach New Holdings Limited (stock code: 8471), a company listed on GEM of the Stock Exchange. Mr. Chan has over 12 years of experience in auditing, accounting and financial management. Prior to joining the Group, he worked for Deloitte Touche Tohmatsu from August 2005 to December 2010, and his last position held was senior in the audit department. During the period between December 2010 and May 2011, he joined Casablanca International Limited as finance manager. From May 2011 to July 2012, he worked as financial controller of Interior Contract International Limited. He then worked as financial control director of Toneluck Industrial Limited from August 2012 to September 2014. From January 2015 to June 2015, he worked as finance manager of Sin Tin Lun (H.K.) Garment Accessories Company Limited.

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

COMPANY SECRETARY

Mr. Chan Chun Sing, aged 41, joined the Group as company secretary and authorised representative on 4 October 2019. He is responsible for company secretarial matters of the Group. Prior to joining the Group, Mr. Chan worked for Deloitte Touche Tohmatsu from September 2001 to July 2011 and his last position held was senior manager in the audit department. Mr. Chan also served as an independent non-executive director of Zhonghua Gas Holdings Limited (formerly known as Noble House (China) Holdings Limited) from December 2011 to October 2013 (stock code: 8246). He joined a private company as chief financial officer from July 2013 to February 2014 and was appointed as executive director from March 2014 to April 2015. He was designated as non-executive director from May 2015 to March 2017.

Mr. Chan was a chief financial officer and company secretary of Lap Kei Engineering (Holdings) Limited (a company listed on the Stock Exchange, previous stock code: 8369, current stock code: 1690) from February 2015 to December 2020 and he has been its company secretary since January 2018. He has been an independent non-executive director of Lai Si Enterprise Holding Limited (stock code: 2266) and Winson Holdings Hong Kong Limited (stock code: 8421) since 18 January 2017 and 21 February 2017, respectively. He has been a director of McMillan Woods (Hong Kong) CPA Limited from 21 November 2019.

Mr. Chan has over 19 years of experience in the fields of accounting, auditing and compliance matters of listed companies in Hong Kong. He obtained a bachelor's degree of arts in accountancy from the Hong Kong Polytechnic University in 2001. Mr. Chan further obtained a degree of Executive Master of Business Administration from the Chinese University of Hong Kong in November 2015. Mr. Chan has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since April 2006. He is also an associate member of the Hong Kong Institute of Directors since March 2013.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The environmental, social and governance report (the "**ESG Report**") is released by the Group pursuant to the Environmental, Social and Governance Reporting Guide (the "**ESG Reporting Guide**") under Appendix 20 to the GEM Listing Rules, which sets out the Company's policies and practices in various aspects relating to environmental protection, working environment and community involvement for FY2020.

Scope of this Report

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

Reporting Period

The Report describes the ESG activities, challenges and measures taken by the Group during the year ended 31 December 2020.

Stakeholder Engagement

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

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

Materiality Assessment

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

- Resource consumption
- Occupational health and safety
- Employee development

As at the year ended 31 December 2020, the Group confirmed that it has established appropriate and effective management policies and internal control systems for ESG issues and confirmed that the disclosed contents are in compliance with the requirements of the ESG Reporting Guide.

ENVIRONMENTAL PROTECTION

The Group undertakes environmental protection as part of its corporate responsibilities, and it is fully aware of the importance of sustainable environmental development in achieving sustainability in its operations. The Group has implemented a number of measures such as reducing carbon emission, increasing energy efficiency and conserving water resources in order to deliver our commitment to environmental protection. For FY2020, the Group is not aware of any material non-compliance with applicable standards, rules and regulations relating to the aspects discussed in this report.

Exhaust Gas Emissions

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

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

Types of exhaust gas[1]	Unit	Emission amount	
		2020	2019
Sulphur Oxides (SOx)	tonnes	**10.4**	10.4
Nitrogen Oxides (NOx)	tonnes	**2,083.3**	2,082.7
Particulate Matter (PM)	tonnes	**0.2**	0.1

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

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

Greenhouse Gas ("GHG") Emissions

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

Indicator[1]	Unit	GHG emissions amount	
		2020	2019
Direct GHG emissions (Scope 1)			
— petrol and diesel consumption	tonnes	**551.5**	373.3
Indirect GHG emissions (Scope 2)			
— purchased electricity	tonnes	**450.3**	329.6
Other indirect GHG emissions (Scope 3)			
— paper disposal	tonnes	**2,889.0**	184.3
Total GHG emissions (Scope 1, 2 and 3)	tonnes	**3,890.8**	887.2
Intensity[2]	tonnes/square feet	**0.0145**	0.0032

Notes:

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

2. As at 31 December 2020, the Group's total floor area was 268,000 square feet (31 December 2019: 277,300 square feet). The data is also used for calculating other intensity data.

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

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

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

Non-hazardous waste

Non-hazardous waste from the Group's operation were mainly waste carton box and waste paper. During FY2020 and FY2019, the Group's non-hazardous wastes discharge and the intensity were as follows:

Type of non-hazardous waste	Unit	Total discharge	
		2020	2019
Carton box	kg	**593,995**	28,740
Paper	kg	**8,785**	9,666
Intensity	kg/square feet	**2.25**	0.14

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

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

USE OF RESOURCES

General Disclosure and KPIs

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

Energy Consumption

The major energy consumption of the Group in daily operation is electricity consumption and petrol/diesel consumption via transportation. During FY2020 and FY2019, the Group's electricity and other energy consumption were as follow:

Type of Energy	Unit	Consumption amount	
		2020	2019
Electricity	kWh	**714,797**	523,245
Petrol	Litre	**15,197**	13,234
Diesel	Litre	**184,068**	121,713

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

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

Water Consumption

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

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

Use of Packaging Materials

During FY2020 and FY2019, the Group's use of packaging materials was as follow:

Types of packaging materials	Unit	Amount	
		2020	2019
Plastic films	kg	**58,670**	10,510

THE ENVIRONMENT AND NATURAL RESOURCES

General Disclosure and KPIs

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

Environmental Education

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

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

SOCIAL

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

Employment

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

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

The Group has established and implemented the employee handbook, which contains our policies relating to human resources, covering areas such as compensation and dismissal, recruitment and promotion, working days and hours, rest periods, and other benefits as well as welfare for our employees in accordance with the applicable laws. The Group strictly complies with the above said relevant standards, rules and regulations. In FY2020, the Group was not aware of any material non-compliance with the relevant standards, rules and regulations that have a significant impact on the Group relating to the above-mentioned areas.

As at 31 December 2020, the Group had a total of 172 employees (2019: 149) all located in Hong Kong, and the monthly staff turnover rate is 3.78% (2019: 6.17%). The following table sets forth the number and breakdown of the Group's full-time employees as at 31 December 2020 and 31 December 2019:

Workforce	Staff size	Total number of persons (percentage)	
		2020	2019
By Gender			
Male	Person	**98 (57.0%)**	84 (56.4%)
Female	Person	**74 (43.0%)**	65 (43.6%)
Total	Person	**172 (100%)**	149 (100%)
By Age Group			
Under 30 years old	Person	**46 (26.7%)**	28 (18.8%)
30–50 years old	Person	**97 (56.4%)**	100 (67.1%)
Over 50 years old	Person	**29 (16.9%)**	21 (14.1%)
Total	Person	**172 (100%)**	149 (100%)

Workforce	Staff size	Total number of persons (percentage) 2020	2019
BY Staff Category			
Management	Person	**4 (2.3%)**	2 (1.4%)
Finance and administrative	Person	**19 (11.0%)**	16 (10.7%)
Sales	Person	**8 (4.7%)**	7 (4.7%)
Operations	Person	**141 (82.0%)**	124 (83.2%)
Total	Person	**172 (100%)**	149 (100%)

Health and Safety

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

In 2020, the Group implemented the procedures, rules and regulations under the Group's safety policy throughout the year, and the Group did not encounter any case about work-related fatality nor record any lost day due to work injury. The process of the safety measures implementation will be reviewed regularly and supervised by spot checks by the supervisors designated by the senior management.

The Group strictly adheres to all applicable labour legislations, including those relating to providing a safe working environment and protecting employees from occupational hazards. No violation of labor laws was recorded during FY2020.

The outbreak of COVID-19 has become the latest challenge for the health authorities in Hong Kong and China, the Group has several policies to protect its staff:

— disinfect its office regularly;
— provide mask and disinfection supplies to all staff;
— request staff to report their health status everyday; and
— request each department head to monitor the health status of the staff on a daily basis.

There were no non-compliance cases identified in relation to health and safety laws and regulations during the Reporting Period.

Development and Training

The Group attaches great importance to the improvement of staff quality and their relevant expertise, and works out training programs in a scientific manner for the employees of each position based on business needs. In 2019, training activities provided by the Group to employees include:

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

The Group's statistics of staff training by staff gender, age and category during FY2020 and FY2019 is set out below:

Workforce	Staff size	Total number of persons trained (percentage) 2020	2019
By Gender			
Male	Person	**98 (57.0%)**	84 (56.4%)
Female	Person	**74 (43.0%)**	65 (43.6%)
Total	Person	**172 (100%)**	149 (100%)
By Age Group			
Under 30 years old	Person	**46 (26.7%)**	28 (18.8%)
30–50 years old	Person	**97 (56.4%)**	100 (67.1%)
Over 50 years old	Person	**29 (16.9%)**	21 (14.1%)
Total	Person	**172 (100%)**	149 (100%)
By Staff Category			
Management	Person	**4 (2.3%)**	2 (1.4%)
Finance and administrative	Person	**19 (11.0%)**	16 (10.7%)
Sales	Person	**8 (4.7%)**	7 (4.7%)
Operations	Person	**141 (82.0%)**	124 (83.2%)
Total	Person	**172 (100%)**	149 (100%)

In FY2020, the average training hour completed per staff was 3 hours (FY2019: 3 hours).

Equal Opportunities, Diversity and Anti-discrimination

The Group is an equal opportunities employer. The Group's employment practices encourage diversity and do not discriminate on grounds of gender, disability, pregnancy, family status, race, colour, religion, age, sexual orientation, national origin, trade union membership or other conditions recognised in law. In FY2020, the Group was not aware of any material non-compliance with the relevant standards, rules and regulations that have a significant impact on the Group relating to the above-mentioned areas.

Labour Standards

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

The Group will conduct comprehensive self-examination in relation to employment matters from time to time to prevent any potential non-compliance. During FY2020, the Group had not identified any non-compliance case involving child or forced labour.

OPERATIONAL PRACTICES

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

Supply Chain Management

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

Product Responsibility

The Group is open to supervision from its customers and the public and is committed to offer quality services to its customers in accordance with applicable local and international laws. The Group sets out to deliver its commitment to quality services, and undertakes not to profiteer through fraudulent or deceitful actions targeting on consumers. In FY2020, the Group did not have any products shipped subject to recalls for safety or health reasons.

The Group has formed a customer service team to handle customers' enquiries to ensure customers' satisfaction, and our management level staff will handle customers' complaints. During FY2020, the Group received less than 10 complaints and most of them have been resolved. Once we received a complaint, our customer service staff would handle the case to understand the customers's concerns and deal with the requests.

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

During FY2020, the Group was not aware of any material non-compliance with the relevant standards, rules and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided.

Bribery, corruption and other misconduct

The Group's employee handbook regulates the Group's employees' conduct with respect to conflicts of interest, bribery, corruption and other misconduct. The Group provides regular training for our employees to emphasise the importance of employees' conduct and refresh their knowledge on the reporting system on employees' misconduct. An effective whistle blowing policy is also in place to minimise the risk of fraudulent acts, criminal offences or wrongdoings occurring in the workplace. The Group's employees can lodge complaints and report any suspicious activities to the management of the Company either verbally or in writing. The Group advocates a confidentiality mechanism to protect the whistle-blowers. The Group will take further actions for any suspected cases after investigation, including termination of employment and reporting to the relevant authorities. The Group is not aware of any material non-compliance with the relevant laws and regulations that has a significant impact on the Group relating to bribery, extortion, fraud and money laundering in FY2020. There was no legal case concerning corruption brought against the Group or its employees in FY2020.

OUR COMMUNITY

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

Community involvement

The Group has been playing an active role in taking up its social responsibilities and it takes promoting the harmonious social development as an important direction for the corporate's long-term development. The Group also devotes sustained efforts to public welfare charity activities so as to serve the communities; these efforts include, but are not limited to, establishing relief fund for the needy in the surrounding communities where the Group's subsidiaries are located and the provision of educational assistance funds. In FY2020, the Group's "Janco Volunteering Team" continued to organise community activities and services, such as selling flags and visiting the elderly. Furthermore, the Group provided financial assistance to the sick and retired employees who have contributed to the enterprise, and their close relatives.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Directors consider that incorporating the core elements of good corporate governance in the management structure and internal control procedures of the Group would help safeguarding 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 2020 to 31 December 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 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 36 years, the Board believes that it is in the best interest of the Group to have Mr. Ng taking up both roles for effective management and business development. Therefore the Directors consider that the deviation from the CG Code provision A.2.1 is appropriate in such circumstance.

The Board believes that the balance of power and authority is adequately ensured by the operations of the Board which comprises experienced and high-caliber individuals, with three of them being independent non-executive Directors.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings as set out in rules 5.48 to 5.67 of the GEM Listing Rules (the "**Model Code**"). Having made specific enquiry of all the Directors, and all Directors confirmed that they had fully complied with the Model Code, the Company is not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by the Directors during the Reporting Period.

Pursuant to rule 5.66 of the Model Code, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in the securities of the Company when he would be prohibited from dealing by the Model Code as if he were a Director.

CORPORATE GOVERNANCE REPORT

THE BOARD OF DIRECTORS

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

Executive Directors

Mr. Ng Chin Hung *(Chairman and Chief executive officer)*
Mr. Cheng Tak Yuen
Mr. Tai King Fung (appointed on 8 May 2020)
Mr. Chan Chun Sing (resigned on 8 December 2020)

Independent non-executive Directors

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

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

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

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

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

BOARD MEETINGS AND ANNUAL GENERAL MEETING

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

During the Reporting Period, 10 Board meetings were held. The attendance record of each Director at the Board meetings and the annual general meeting of the Company held on 8 May 2020 ("**2020 AGM**") is set out in the table below:

Name of Directors	Number of attendance/ number of Board meetings during the Directors' term of appointment in FY2020	Attendance of 2020 AGM
Executive Directors		
Mr. Ng Chin Hung	10/10	1/1
Mr. Cheng Tak Yuen	10/10	1/1
Mr. Tai King Fung (appointed on 8 May 2020)	10/10	–
Mr. Chan Chun Sing (resigned on 8 December 2020)	9/9	1/1
Independent non-executive Directors		
Mr. Lee Kwong Chak, Bonnio	10/10	1/1
Mr. Pang Chung Fai, Benny	10/10	1/1
Mr. Chan Fei Fei	10/10	1/1

CORPORATE GOVERNANCE FUNCTIONS

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

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

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

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

FUNCTIONS OF THE BOARD

The principal functions of the Board include:

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

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

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

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

— approving nominations to the Board;

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

— assuming overall responsibility for corporate governance.

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

TERMS OF APPOINTMENT AND RE-ELECTION OF DIRECTORS

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

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

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

CONTINUOUS PROFESSIONAL DEVELOPMENT

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

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

Name of Directors	Attending seminar(s)/ Reading relevant materials in relation to the business or directors' duties Yes/No
Executive Directors	
Mr. Ng Chin Hung *(Chairman and chief executive officer)*	Yes
Mr. Cheng Tak Yuen	Yes
Mr. Tai King Fung (appointed on 8 May 2020)	Yes
Mr. Chan Chun Sing (resigned on 8 December 2020)	Yes
Independent non-executive Directors	
Mr. Lee Kwong Chak, Bonnio	Yes
Mr. Pang Chung Fai, Benny	Yes
Mr. Chan Fei Fei	Yes

BOARD COMMITTEES

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

Audit Committee

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

During the Reporting Period and up to the date of this annual report, 6 Audit Committee meetings were held. The Audit Committee, among other matters, reviewed the Group's annual consolidated financial statements, annual, interim and quarterly reports; discussed the risk management and internal control systems of the Group; met with the independent external auditors and reviewed report from the independent external auditors regarding their audit on the Group's annual consolidated financial statements. The attendance record of each Audit Committee member at the Audit Committee meeting is set out in the table below:

Name of Directors	Number of attendance/ number of Audit Committee meetings during the Directors' term of appointment in FY2020
Independent non-executive Directors	
Mr. Lee Kwong Chak, Bonnio *(Chairman)*	6/6
Mr. Chan Fei Fei	6/6
Mr. Pang Chung Fai, Benny	6/6

Remuneration Committee

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

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

Name of Directors	Number of attendance/ number of Remuneration Committee meetings during the Directors' term of appointment in FY2020
Independent non-executive Directors	
Mr. Chan Fei Fei *(Chairman)*	1/1
Mr. Lee Kwong Chak, Bonnio	1/1
Mr. Pang Chung Fai, Benny	1/1

Nomination Committee

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

During the Reporting Period and up to the date of this annual report, 2 Nomination Committee meetings were held whereat the Nomination Committee, among other matters, reviewed the structure, size and composition of the Board, reviewed the Board nomination policy, reviewed the Board diversity policy, assessed the independence of the independent non-executive Directors and made recommendations to the Board for considering the re-appointment of the retiring Directors at the 2021 AGM. The attendance record of each Nomination Committee member at the Nomination Committee meeting is set out in the table below:

Name of Directors	Number of attendance/ number of Nomination Committee meetings during the Directors' term of appointment in FY2020
Independent non-executive Directors	
Mr. Pang Chung Fai, Benny *(Chairman)*	2/2
Mr. Lee Kwong Chak, Bonnio	2/2
Mr. Chan Fei Fei	2/2

Pursuant to code provision B.1.5 of the CG Code, the remuneration paid to the members of the senior management (excluding Directors) by band during the year ended 31 December 2020 is set out below:

Remuneration band (HK$)	Number of person(s)
1,000,001 to 1,500,000	1

Board Nomination Policy

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

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

Nomination Criteria

In evaluating and selecting any candidate for the directorship, the following criteria would be considered by the Nomination Committee and the Board:

- the candidate's character and integrity;
- the candidate's qualifications including professional qualifications, skills, knowledge and experience, and diversity aspects under the Board Diversity Policy that are relevant to the Company's business and corporate strategy;
- any measurable objectives adopted for achieving diversity on the Board;
- for independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the GEM Listing Rules;
- any potential contributions the candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;
- willingness and ability of the candidate to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company; and
- such other perspectives that are appropriate to the Company's business and succession plan and where applicable may be adopted and/or amended by the Board and/or the Nomination Committee from time to time for nomination of directors and succession planning.

Nomination Procedures

The Company has put in place the following director nomination procedures:

Appointment of New and Replacement Directors

(i) If the Board determines that an additional or replacement Director is required, it will deploy multiple channels for identifying suitable Director candidates, including referral from Directors, shareholders, management, advisors of the Company and external executive search firms.

(ii) Upon compilation and interview of the list of potential candidates, the Nomination Committee will shortlist candidates for consideration by the Nomination Committee and/or the Board based on the selection criteria and such other factors that it considers appropriate. The Board has the final authority on determining suitable Director candidate for appointment.

Re-election of Directors and Nomination from Shareholders

(i) Where a retiring Director, being eligible, offers himself for re-election, the Nomination Committee and/or the Board shall consider and, if consider appropriate, recommend such retiring Director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring Director will be sent to shareholders prior to a general meeting in accordance with the GEM Listing Rules.

(ii) Any shareholder of the Company who wishes to nominate a person to stand for election as a Director at a general meeting must lodge with the company secretary of the Company within the lodgement period specified in the relevant shareholder circular (a) a written nomination of the candidate, (b) written confirmation from such nominated candidate of his willingness to stand for election, and (c) biographical details of such nominated candidate as required under the GEM Listing Rules. Particulars of the candidate so proposed will be sent to all shareholders for information by a supplementary circular.

Board Diversity Policy

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

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

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

ACCOUNTABILITY AND AUDIT

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

All the Directors acknowledge their responsibility to prepare the Group's consolidated financial statements for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period. In preparing the consolidated financial statements for FY2020, the Board has selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the consolidated financial statements of the Group on a going concern basis.

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

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

Auditor's remuneration

The remuneration paid or payable to the Group's auditor, Messrs. McM (HK) CPA Limited, in respect of their audit and non-audit services for FY2020 was as follows:

	HK$'000
Audit services	660
Non-audit services	Nil

Internal control and risk management

The Board has the responsibility to maintain effective risk management and internal control systems in order to safeguard the Group's assets and investments and the Shareholders' interest and conducts a review on an annual basis. During the year under review, the Board had conducted review of the effectiveness and adequacy of the risk management and internal control systems of the Company in respect of the Group's financial, operational, compliance controls and risk management functions through the effort of the Audit Committee. During the year under review, the Company engaged an external independent consultant to conduct a review on the internal control system of the Group. The Board has the overall responsibility to maintain the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function and the Board had reached the conclusion that the Group's risk management and internal control systems were in place and effective and adequate.

Internal audit function

The Group has no separate internal audit function. However, as disclosed above, the Company engaged an external independent consultant to review the internal control system of Group. After conducting annual review, the Board considered that the risk management and internal control systems of the Group for the Reporting Period were effective and adequate.

Company secretary

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

SHAREHOLDERS' RIGHTS

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

PROCEDURES FOR SHAREHOLDERS TO CONVENE EXTRAORDINARY GENERAL MEETING

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

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

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

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

PROCEDURES FOR SHAREHOLDERS TO PUT FORWARD PROPOSALS AT SHAREHOLDERS' MEETINGS

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

PROCEDURES FOR NOMINATION OF DIRECTOR

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

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

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

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

PROCEDURES FOR RAISING ENQUIRIES

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

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

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

INVESTORS RELATIONS

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

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

Policy on Payment of Dividends

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

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

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

CONSTITUTIONAL DOCUMENTS

No change has been made to the Company's memorandum and articles of association during 2020. The memorandum and articles of association of the Company have been published at the websites of the Stock Exchange and the Company.

COMPLIANCE OFFICER

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

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report and the audited consolidated financial statements of the Group for FY2020.

CORPORATE REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its headquarters and principal place of business in Hong Kong is Unit 1608, 16th Floor, Tower A, Manulife Financial Centre, No. 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. The Shares were listed on GEM of the Stock Exchange on 7 October 2016. Trading in the Shares had been suspended since 1 April 2019 and resumed on 28 November 2019.

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

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 34 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during FY2020.

BUSINESS REVIEW

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

KEY RISKS AND UNCERTAINTIES

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

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

During FY2020, as far as the Board is aware, the Group had in all material aspects complied with all applicable environmental laws and regulations. More disclosures regarding our environmental policies and performance are set out in the ESG Report forming part of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

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

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

During FY2020, the Group has maintained good relationships with its stakeholders, including employees, customers, suppliers, banks, regulators and shareholders. The Group will continue to ensure effective communication and maintain good relationship with each of its key stakeholders.

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

The key financial performance indicators of the Group for FY2020 are set out below:

Strategy	KPIs
Maximise value for the Shareholders	Gross profit margin = 13.3% (2019: 8.0%)
	Return on equity = 18.8% (2019: -39.7%)
Improve the Group's liquidity	Net cash generated from operating activities = HK$42.0 million (2019: HK$49.9 million)
	Cash and cash equivalents = HK$8.2 million (2019: HK$4.0 million)

RESULTS

The results of the Group for FY2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 55.

No final dividend for FY2020 was recommended by the Board.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "**2021 AGM**") of the Company is scheduled to be held on Friday, 7 May 2021. A notice convening the 2021 AGM will be issued and despatched to the Shareholders according to the Articles.

The register of members of the Company will be closed from Monday, 3 May 2021 to Friday, 7 May 2021 (both dates inclusive), the period during which no transfer of shares may be effected for the purpose of determining the Shareholders who are entitled to attend and vote at the 2021 AGM. In order to be eligible to attend and vote at the 2021 AGM, all transfer forms accompanied by the relevant share certificate(s) should be lodged for registration with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 30 April 2021.

RESERVES

Details of movements in the reserves of the Group during FY2020 are set out in the consolidated statement of changes in equity on page 58 of this annual report.

FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the last five financial years is set out on page 112.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed 14.96% (2019: 14.25%) of the total revenue for FY2020 while the Group's five largest customers accounted for 39.7% (2019: 39.6%) of the total revenue for FY2020.

Since the Group has a very wide base of suppliers, the aggregate purchase attributable to the Group's five largest suppliers were 36.5% (2019: 38.9%) of the Group's total purchases for FY2020 with the largest supplier accounted for 10.5% (2019: 10.6%) of the total purchases.

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

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

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

SUFFICIENCY OF PUBLIC FLOAT

Throughout FY2020 and up to the date of this annual report, based on the information that is available to the Company and within the knowledge of the Directors, the Directors confirm that the Company maintained the prescribed minimum amount of public float as required under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

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

SHARE CAPITAL

Details of the Company's share capital are set out in note 30 to the consolidated financial statements.

SHARE OPTION SCHEME

The share option scheme of the Company (the "**Scheme**") is a share incentive scheme prepared in accordance with Chapter 23 of the GEM Listing Rules and is established to recognise and acknowledge the contribution of the Directors and other employees and other eligible parties who have made valuable contribution to the Group. The Scheme was adopted on 23 September 2016 (the "**Adoption Date**"). Details of the share options movement during the year ended 31 December 2020 under the Share Option Scheme are set in note 35 to the consolidated financial statement.

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

(a) Purpose

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

(b) The Participants of the Scheme

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

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

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

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

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

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

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

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

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

(c) Maximum number of Shares available for issuance

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

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

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

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

(d) Maximum number of options to any one individual

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

(e) Price of Shares

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

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

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

(iii) the nominal value of a Share.

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

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

(g) Acceptance and payment on acceptance

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

(h) Remaining life of the Scheme

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

DISTRIBUTABLE RESERVES OF THE COMPANY

Share premium and retained profit of the Company may be available for distribution to ordinary Shareholders provided that the Company will be able to pay its debts as they fall due in the ordinary course of business immediately following the date on which any such distribution is proposed to be paid. The Company's reserves available for distribution to Shareholders at 31 December 2020 amounted to approximately HK$27.6 million.

DIRECTORS

During FY2020 and up to the date of this annual report, the Board's composition is as follows:

Executive Directors

Mr. Ng Chin Hung *(Chairman and chief executive officer)*
Mr. Cheng Tak Yuen
Mr. Tai King Fung (appointed on 8 May 2020)
Mr. Chan Chun Sing (resigned on 8 December 2020)

Independent non-executive Directors

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

Retirement and re-election of Directors

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

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

Mr. Cheng Tak Yuen, Mr. Tai King Fung, Mr. Pang Chung Fai Benny and Mr. Chan Fei Fei will retire and, being eligible, offer themselves for re-election at the 2021 AGM pursuant to article 84 of the Articles.

DIRECTORS' SERVICE AGREEMENTS

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

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

There is no director's service contract with the Company or any of its subsidiary which is not determinable by the Company or its subsidiary within one year without payment of compensation (other than statutory compensation) as at 31 December 2020.

None of the Directors proposed for re-election at the 2021 AGM has a service contract which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

INDEPENDENT NON-EXECUTIVE DIRECTORS' CONFIRMATION OF INDEPENDENCE

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

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

During the Reporting Period, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of Laws of Hong Kong) (the "**SFO**") (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in the Company

Long 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 31 December 2020 were as follows:

Name of Director	Capacity/ Nature of interest	Date of grant	Exercise period	Number of Shares over which options are exercisable as at 31 December 2020	Exercise price per Share (HK$)	Approximate percentage of interest in the issued Shares as at 31 December 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 31 December 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 AND UNDERLYING SHARES

During the Reporting Period, so far as the Directors are aware, the following persons (other than the Director and the chief executive of the Company) had or deemed or taken to have an interest and/or short position in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Long positions in the ordinary Shares

Name of shareholder	Capacity/Nature of interest	Number of Shares held	Percentage of the Company's issued share capital
Million Venture Holdings Limited ("**Million Venture**")	Beneficial owner	450,000,000	75%
Mr. Cheng Hon Yat ("**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 December 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 which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save and except for the Scheme, at no time during the Reporting Period was the Company or any of its subsidiaries, a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

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

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

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

COMPETING INTEREST

For FY2020, the Directors were not aware of any business or interest of the Directors, the controlling Shareholders and their respective close associates (as defined under the GEM Listing Rules) that compete or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

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

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

MANAGEMENT CONTRACTS

During FY2020, there is no contract entered into by the Company relating to the management and administration of the entire or any substantial part of the business of the Group.

EMOLUMENT POLICY

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

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

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTION

Significant related party transactions entered into by the Group during FY2020 and FY2019 are set out in note 33 to the consolidated financial statements.

The Directors consider that these significant related party transactions disclosed in note 33 to the consolidated financial statements did not fall under the definition of "connected transactions" or "continuing connected transactions" (as the case may be) under Chapter 20 of the GEM Listing Rules requiring compliance with any of the reporting, announcement or independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

AUDIT COMMITTEE

The Company has established the Audit Committee on 23 September 2016, with written terms of reference in compliance with rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the Audit Committee are, among other things, to make recommendations to the Board on the appointment, re-appointment and removal of external auditor and to review and supervise the financial reporting process, risk management and internal control systems of the Group. 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 audited consolidated financial statements of the Group for FY2020 and is of the view that the preparation of such statements complied with the applicable accounting standards, the GEM Listing Rules and other applicable legal requirements and that adequate disclosure has been made.

PERMITTED INDEMNITY PROVISIONS

At no time during FY2020 and up to the date of this Directors' Report was there any permitted indemnity provision being in force for the benefit of any of the Directors (whether made by the Company or otherwise), or an associated company (if made by the Company).

An associated company is defined in Section 2(1) of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

REMUNERATION OF DIRECTORS AND FIVE INDIVIDUALS WITH HIGHEST EMOLUMENTS

Details of the remuneration of the Directors and the five highest paid individuals for the year are set out in note 13 to the consolidated financial statements respectively.

CORPORATE GOVERNANCE

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

Further information on the Company's corporate governance practices is set out in the section headed "Corporate Governance Report" of this annual report from pages 25 to 38.

ENVIRONMENTAL, SOCIETY AND CORPORATE RESPONSIBILITY

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

AUDITOR

Messrs. Zhonghui Anda CPA Limited ("**Zhonghui Anda**") was appointed as the auditors of the Company in place of Deloitte Touche Tohmatsu ("**DTT**") immediately following the removal of DTT as auditors of the Company on 10 June 2019 and to hold office until the conclusion of annual general meeting of the Company in 2020. Messrs. McM (HK) CPA Limited was appointed as the auditors of the Company in place of Zhonghui Anda immediately following the resignation of Zhonghui Anda as auditors of the Company on 23 December 2020 and to hold office until the conclusion of the 2021 AGM.

The consolidated financial statements of the Group for FY2020 have been audited by Messrs. McM (HK) CPA Limited, who will retire and, being eligible, offer themselves for re-appointment at the 2021 AGM. A resolution for their re-appointment as auditors of the Company will be proposed at the 2021 AGM.

EVENTS AFTER THE REPORTING PERIOD

On 29 January 2021, the Company was informed by Million Venture, the controlling shareholder of the Company, that it entered into a placing agreement with the placing agent to place up to 144,000,000 Shares to independent third parties, representing 24% of the then issued share capital of the Company, at the placing price of HK$0.15 per Share. On 23 February 2021, the placing was completed and Million Venture's interest in the Company was reduced to 306,000,000 Shares, representing 51% of the issued share capital of the Company. For further information, please refer to the announcements of the Company dated 29 January 2021 and 23 February 2021, respectively.

The outburst of COVID-19 has brought additional uncertainties in the global macroeconomic situation which may affect the Group's financial performance. However, since the outburst is a fluid and challenging situation facing all the industries globally, the degree of impact could not be reasonably estimated at this stage. The Group will closely monitor the development of the outburst and assess its impact on the financial position and operating results of the Group.

Other than the above, the Board is not aware of any significant event requiring disclosure that has been taken place subsequent to 31 December 2020 and up to the date of this annual report.

On behalf of the Board
Mr. Ng Chin Hung
Chairman

Hong Kong, 19 March 2021

INDEPENDENT AUDITOR'S REPORT

McM (HK) CPA Limited

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

OPINION

We have audited the consolidated financial statements of Janco Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 55 to 111, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2020, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2 to the consolidated financial statements which states that as at 31 December 2020, the Group had net current liabilities of approximately HK$84,015,000. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements. The key audit matter we have identified is impairment of trade receivables.

Trade receivables

Refer to Notes 6(b) and 22 to the consolidated financial statements

The Group tested the amount of trade receivables for impairment. This impairment test is significant to our audit because the balance of trade receivables of HK$114,800,000 as at 31 December 2020 is material to the consolidated financial statements. In addition, the Group's impairment test involves application of judgement and is based on estimates.

Our audit procedures included, among others:

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

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

— Evaluating the design and effectiveness of Group's impairment assessment process;

— Testing the accuracy of the ageing of the debts;

— Assessing the appropriateness of the expected credit losses provision methodology;

— Assessing creditworthiness of the customers;

— By discussion with management, obtaining settlement profile of the customers and corroborated by checking subsequent settlements from the customers; and

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

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

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on these statements on 24 March 2020.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all of the information included in the Company's annual report other than the consolidated financial statements and our auditor's report thereon.

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

OTHER INFORMATION (Continued)

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

— Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Wong Ka Bo, Jimmy.

McM (HK) CPA Limited
Certified Public Accountants
Wong Ka Bo, Jimmy
Practising Certificate Number P07560
3/F., Parklane Building,
233 Queen's Road Central, HK.
Hong Kong, 19 March, 2021

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Revenue	7	**487,641**	412,319
Cost of sales		**(422,918)**	(379,331)
Gross profit		**64,723**	32,988
Interest income		**2,010**	3,797
Other income	8	**9,051**	55
Other gains and losses, net	9	**(2,328)**	(284)
Administrative expenses		**(42,257)**	(45,527)
Impairment loss made on allowance for trade receivables		**(11,320)**	(2,700)
Share-based payment expenses		**(493)**	–
Profit/(loss) from operations		**19,386**	(11,671)
Finance costs	10	**(5,904)**	(7,036)
Share of (losses)/profits of joint venture		**(73)**	114
Profit/(loss) before tax		**13,409**	(18,593)
Income tax (expense)/credit	11	**(1,389)**	593
Profit/(loss) for the year	12	**12,020**	(18,000)
Other comprehensive income after tax:			
Items that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		**(564)**	30
Total comprehensive income/(expense) for the year		**11,456**	(17,970)
Profit/(loss) for the year attributable to:			
Owners of the Company		**11,170**	(18,070)
Non-controlling interests		**850**	70
		12,020	(18,000)
Total comprehensive income/(expenses) for the year attributable to:			
Owners of the Company		**10,606**	(18,040)
Non-controlling interests		**850**	70
		11,456	(17,970)
Earning/(loss) per share	15		
Basic (HK cents)		**1.86**	(3.01)
Diluted (HK cents)		**N/A**	N/A

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Non-current assets			
Property, plant and equipment	16(a)	**9,247**	12,042
Computer software	16(b)	**113**	190
Deposits placed in life insurance policies	17	**111,769**	109,770
Right-of-use assets	18	**24,646**	48,904
Interest in an associate	19	**–**	–
Interest in a joint venture	20	**624**	154
Goodwill		**61**	61
Rental deposits	22	**5,848**	6,898
		152,308	178,019
Current assets			
Inventories	21	**445**	–
Trade receivables	22	**114,800**	84,076
Other receivables, deposit and prepayments	22	**7,456**	3,873
Tax recoverable		**–**	1,624
Pledged bank deposits	23	**17,422**	22,545
Bank balance and cash	23	**8,225**	3,973
		148,348	116,091
Current liabilities			
Trade payables	24	**48,658**	35,221
Other payables and accruals	24	**21,975**	7,560
Due to the controlling shareholder	25	**3,246**	8,746
Due to non-controlling interests	25	**656**	656
Contract liabilities	26	**393**	84
Bank borrowings	27	**143,652**	148,019
Lease liabilities	28	**12,899**	30,172
Tax payable		**884**	83
		232,363	230,541
Net current liabilities		**(84,015)**	(114,450)
Total assets less current liabilities		**68,293**	63,569

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	As at 31 December 2020 HK$'000	As at 31 December 2019 HK$'000
Non-current liabilities			
Lease liabilities	28	**9,976**	17,791
Deferred tax liabilities	29	**687**	97
		10,663	17,888
NET ASSETS		**57,630**	45,681
Capital and reserves			
Share capital	30	**6,000**	6,000
Reserves	32	**50,519**	39,420
Equity attributable to owners of the Company		**56,519**	45,420
Non-controlling interests		**1,111**	261
TOTAL EQUITY		**57,630**	45,681

The consolidated financial statements on pages 55 to 111 were approved and authorised for issue by the Board of Directors on 19 March 2021 and are signed on its behalf by:

Ng Chin Hung
Director

Cheng Tak Yuen
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company									
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note i)	Other reserve HK$'000 (note ii)	Translation reserve HK$'000	Share option reserve HK$'000	Retained profits/ (Accumulated losses) HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2019	6,000	47,755	17,659	4,658	113	–	(12,725)	63,460	–	63,460
Loss and total comprehensive income for the year, as restated	–	–	–	–	30	–	(18,070)	(18,040)	70	(17,970)
Establishment of a non-wholly-owned subsidiary	–	–	–	–	–	–	–	–	191	191
At 31 December 2019	6,000	47,755	17,659	4,658	143	–	(30,795)	45,420	261	45,681
At 1 January 2020	**6,000**	**47,755**	**17,659**	**4,658**	**143**	**–**	**(30,795)**	**45,420**	**261**	**45,681**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**(564)**	**–**	**11,170**	**10,606**	**850**	**11,456**
Establishment of a non-wholly-owned subsidiary (Note 36/iii)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Equity-settled share option arrangements (Note 35)	**–**	**–**	**–**	**–**	**–**	**493**	**–**	**493**	**–**	**493**
At 31 December 2020	**6,000**	**47,755**	**17,659**	**4,658**	**(421)**	**493**	**(19,625)**	**56,519**	**1,111**	**57,630**

Notes:

(i) Capital reserve is comprised of (i) the profits derived from the provision of air and ocean freight forwarding services in Hong Kong prior to 1 July 2015 carried out by JFX Limited, a company previously wholly owned by the controlling shareholder, Mr. Cheng Hon Yat ("**Mr. Cheng**") before the transfer of such business to Janco Global Logistics Limited ("**Janco Global Logistics**"), a wholly owned subsidiary of the Group, as they legally belonged to JFX Limited and are non-distributable profits of the Group; and (ii) the difference between the nominal value of the aggregate share capital of the subsidiaries acquired by the Company upon the group reorganisation completed on 29 December 2015 and the nominal value of the Company's shares issued.

(ii) Other reserve represented an amount due to Mr. Cheng, being the controlling shareholder of the Group and a former director of the Company, 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.

(iii) Nil amount presented as non-controlling interests at acquisition is less than HK$1,000.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Profit/(loss) before tax		**13,409**	(18,593)
Adjustments for:			
Amortisation of computer software		**77**	121
Depreciation of property, plant and equipment		**4,096**	3,323
Depreciation of right of use assets		**33,716**	40,559
Share of losses/(profits) of joint venture		**73**	(114)
Finance costs		**5,904**	7,036
Government grant		**(8,322)**	–
Gain on early termination of lease		**(280)**	–
Gain on Covid-19 related rent concessions		**(431)**	–
Loss/(gain) on disposal of property, plant and equipment		**2,037**	(25)
Share-based payment expenses		**493**	–
Impairment loss made on allowance for trade receivables		**11,320**	2,700
Interest income		**(2,010)**	(3,797)
Operating profit before working capital changes		**60,082**	31,210
Change in inventories		**(445)**	–
Change in trade receivables		**(27,976)**	21,793
Change in rental deposits		**1,050**	(1,038)
Change in other receivables, deposit and prepayments		**(3,548)**	8,923
Change in trade payables		**1,031**	(7,704)
Change in other payables and accruals		**11,363**	(740)
Change in contract liabilities		**309**	(388)
Cash generated from operations		**41,866**	52,056
Lease interests paid		**(1,475)**	(1,999)
Income tax received/(paid)		**1,624**	(195)
Net cash generated from operating activities		**42,015**	49,862
Cash flows from investing activities			
Interest received		**–**	495
Purchase of property, plant and equipment and computer software		**(4,789)**	(5,972)
Proceeds from disposal of property, plant and equipment		**1,451**	25
Withdrawal of pledged bank deposits		**5,123**	6,060
Placement of pledged bank deposits		**–**	(490)
Government grant received		**8,322**	–
Acquisition of a subsidiary	36	**857**	(816)
Acquisition of a joint venture		**(543)**	–
Net cash generated from/(used in) investing activities		**10,421**	(698)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 HK$'000	2019 HK$'000
Cash flows from financing activities			
New borrowings raised		**43,052**	39,328
Repayment of bank borrowings		**(47,419)**	(54,354)
Interest paid		**(4,429)**	(4,921)
Repayment of lease liabilities		**(33,835)**	(40,358)
(Repayment to)/advance from the controlling shareholder		**(5,500)**	8,746
Net cash used in financing activities		**(48,131)**	(51,559)
Net increase/(decrease) in cash and cash equivalents		**4,305**	(2,395)
Effect of foreign exchange rate changes		**(53)**	30
Cash and cash equivalents at beginning of year		**3,973**	6,338
Cash and cash equivalents at end of year		**8,225**	3,973
Analysis of cash and cash equivalents			
Bank balance and cash		**8,225**	3,973
		8,225	3,973

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands and its shares are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The address of its principal place of business is Unit 1608, 16th Floor, Tower A, Manulife Financial Centre, No. 223 Wai Yip Street, Kwun Tong, Kowloon, Hong Kong. Its immediate and ultimate holding company is Million Venture Holdings Limited ("**Million Venture**"), a company incorporated in the British Virgin Islands (the "**BVI**") and wholly owned by Mr. Cheng, the controlling shareholder of the Company.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 34.

2. GOING CONCERN BASIS

As at 31 December 2020 the Group had net current liabilities of approximately HK$84,015,000. This condition indicates 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. The effect of these adjustments had not been reflected on these consolidated financial statements.

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

In the current year, the Group has applied the Amendments to the Conceptual Framework in Hong Kong Financial Reporting Standards ("**HKFRS**") adopted all the new and revised HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") that are relevant to its operations and effective for its accounting year beginning on 1 January 2020 as mentioned below. HKFRSs comprise HKFRS; Hong Kong Accounting Standards ("**HKAS**"); and Interpretations.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

In addition, the Group has early applied Amendment to HKFRS 16, COVID-19-Related Rent Concessions, which is effective for annual periods beginning on or after 1 June 2020.

The Group has applied the amendment for the first time in the current year. The amendment introduces a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of the Covid-19 that meets all of the following conditions:

— the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

— any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

— there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying HKFRS 16 Leases if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The Group has elected to apply the practical expedient to all rent concessions, as all rent concessions received during the year ended 31 December 2020 had met the conditions mentioned above. During the current year, the Covid-19-related rent concessions recognised in the profit or loss amounted to HK$431,000.

The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

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

New and amendments to HKFRSs issued but not yet effective

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. These new and revised HKFRSs include the following which may be relevant to the Group:

Amendments to HKFRS 3	Reference to Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2[4]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and the related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 cycle[2]

1. Effective for annual periods beginning on or after 1 January 2023.
2. Effective for annual periods beginning on or after 1 January 2022.
3. Effective for annual periods beginning on or after a date to be determined.
4. Effective for annual periods beginning on or after 1 January 2021.

The Group has already commenced an assessment of the impact of these new and revised HKFRSs so far it has concluded that the adoption of them is unlikely to have a material impact on its results of operations and financial position.

4. SIGNIFICANT ACCOUNTING POLICIES

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

The consolidated financial statements have been prepared on the historical cost basis, unless mentioned otherwise in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

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

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

Consolidation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation (Continued)

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

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

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

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

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

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment loss, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities are activities that significantly affect the returns of the arrangement. When assessing joint control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has joint control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint arrangements (Continued)

In relation to its interest in a joint operation, the Group recognises in its consolidated financial statements, its assets, including its share of any assets held jointly; its liabilities, including its share of any liabilities incurred jointly; its revenue from the sale of its share of the output arising from the joint operation; its share of the revenue from the sale of the output by the joint operation; and its expenses, including its share of any expenses incurred jointly, in accordance with the HKFRSs applicable to the particular assets, liabilities, revenues and expenses.

Investment in a joint venture is accounted for in the consolidated financial statements by the equity method and is initially recognised at cost. Identifiable assets and liabilities of the joint venture in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the joint venture's identifiable assets and liabilities is recorded as goodwill. The goodwill is included in the carrying amount of the investment and is tested for impairment together with the investment at the end of each reporting period when there is objective evidence that the investment is impaired. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of acquisition is recognised in consolidated profit or loss.

The Group's share of a joint venture's post-acquisition profits or losses is recognised in consolidated profit or loss, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture. If the joint venture subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The gain or loss on the disposal of a joint venture that results in a loss of joint control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that joint venture and (ii) the Group's share of the net assets of that joint venture plus any remaining goodwill relating to that joint venture and any related accumulated foreign currency translation reserve. If an investment in a joint venture becomes an investment in an associate, the Group continues to apply the equity method and does not remeasure the retained interest.

Unrealised profits on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interests in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Foreign currency translation

(a) Functional and presentation currency

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currency translation (Continued)

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

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

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

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

(c) *Translation on consolidation*

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

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

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

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

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

Property, plant and equipment

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

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

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

Computer software

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

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

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

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.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

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

Recognition and derecognition of financial instruments

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

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

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

Financial assets

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

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

Financial assets at amortised cost

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

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loss allowances for ECL

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

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

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

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

Cash and cash equivalents

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

Financial liabilities and equity instruments

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

Borrowings

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

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

Trade and other payables

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Equity instruments

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

Revenue from contracts with customers

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

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

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

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

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

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

Other revenue

Interest income is recognised using the effective interest method.

Employee benefits

(a) Employee leave entitlements

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

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

(b) Pension obligations

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Employee benefits (Continued)

(c) Termination benefits

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

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 35 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Borrowing costs

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

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Taxation

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

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

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

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

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

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

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption.

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

Segment reporting

Operating segments and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purpose of allocating resources and assessing the performance of the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of productions processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Related parties

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

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

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

(ii) has significant influence over the Group; or

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

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

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

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

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

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

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

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

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

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

Impairment of non-financial assets

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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

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

Provisions and contingent liabilities

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

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

Events after the reporting period

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

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

Critical judgements in applying accounting policies

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

(a) *Going concern basis*

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

(b) *Joint control assessment*

The Group holds 70% of the voting rights of its joint arrangement of Janco E-commerce Solutions (USA) Inc. The directors have determined that the Group has joint control over the arrangement as under the contractual agreement, it appears that unanimous consent is required from all parties to the agreement for all relevant activities.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (Continued)

Key sources of estimation uncertainty

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

(a) Impairment loss for bad and doubtful debts

The management of the Group estimates the amount of impairment loss for ECL on trade receivables and contract assets based on the credit risk of trade receivables and contract assets. The amount of the impairment loss based on ECL model is measured as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, a material impairment loss may arise.

As at 31 December 2020, the carrying amount of trade receivables is HK$114,800,000 (net of allowance for doubtful debts of HK$14,020,000) (2019: HK$84,076,000 (net of allowance for doubtful debts of HK$5,972,000)).

6. FINANCIAL RISK MANAGEMENT

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

(a) Foreign currency risk

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

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

	Assets		Liabilities	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**22,137**	30,776	**(18,378)**	(7,096)
RMB	**20,395**	2,727	**(9,723)**	(5)
EUR	**4**	–	**(506)**	(64)
THB	**–**	73	**–**	–

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

6. FINANCIAL RISK MANAGEMENT (Continued)

(a) Foreign currency risk (Continued)

The following table details the Group's sensitivity to a 5% increase or decrease in the exchange rate of HK$ against RMB, EUR and THB. The percentage is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis adjusts their translation at the year end for a 5% change in foreign currency rates. A positive/negative number below indicates a decrease/an increase in post-tax profit for 2020 or a decrease/an increase in post-tax loss for 2019 where RMB, EUR and THB strengthen 5% against HK$. For a 5% weakening of RMB, EUR and THB against HK$, there would be an equal and opposite impact on the post-tax profit or loss.

	Increase (decrease) in post-tax loss/decrease (increase) in post-tax profit	
	2020	2019
	HK$'000	HK$'000
RMB impact	**851**	114
EUR impact	**(21)**	(3)
THB impact	**–**	3

(b) Credit risk

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

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

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

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at 31 December 2020 in relation to each class of recognised financial assets is the carrying amounts of those assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to its trade receivables. In order to minimise the credit risk, management of the Group has credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

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

6. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

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

— internal credit rating;

— external credit rating (if available);

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

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

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

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

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

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

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

6. FINANCIAL RISK MANAGEMENT (Continued)

(c) Liquidity risk

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

The maturity analysis, based on undiscounted cash flows, of the Group's financial liabilities is as follows:

	On demand or less than 1 years HK$'000	Between 1 and 2 years HK$'000	Between 2 to 5 years HK$'000	Carrying amount HK$'000
At 31 December 2020				
Trade payables	**48,658**	**–**	**–**	**48,658**
Other payables and accruals	**21,975**	**–**	**–**	**21,975**
Due to the controlling shareholder	**3,246**	**–**	**–**	**3,246**
Due to non-controlling interests	**656**	**–**	**–**	**656**
Bank borrowings	**143,652**	**–**	**–**	**143,652**
Lease liabilities	**13,581**	**8,358**	**2,037**	**22,875**
	231,768	**8,358**	**2,037**	**241,062**
At 31 December 2019				
Trade payables	35,221	–	–	35,221
Other payables and accruals	7,560	–	–	7,560
Due to the controlling shareholder	8,746	–	–	8,746
Due to non-controlling interests	656	–	–	656
Bank borrowings	148,019	–	–	148,019
Lease liabilities	31,458	13,532	4,796	47,963
	231,660	13,532	4,796	248,165

(d) Interest rate risk

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

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

At 31 December 2020, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated profit after tax for the year would have been HK$633,000 higher (2019: HK$618,000 lower), arising mainly as a result of lower interest expense on bank borrowings. If interest rates had been 50 basis points higher, with all other variables held constant, consolidated profit after tax for the year would have been HK$633,000 lower (2019: HK$618,000 higher), arising mainly as a result of higher interest expense on bank borrowings.

6. FINANCIAL RISK MANAGEMENT (Continued)

(e) Categories of financial instruments

	2020 **HK$'000**	2019 HK$'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**263,719**	230,785
Financial liabilities:		
Financial liabilities at amortised cost	**218,187**	200,202

(f) Fair values

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

7. REVENUE AND SEGMENT INFORMATION

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

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

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

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

(iii) E-Commerce — trading of consumables through an online platform and provision for 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.

All revenue contracts are for period of one year or less. As permitted by HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results

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

Disaggregation of revenue from contracts with customers

	Freight forwarding			E-Commerce			
	Air Freight HK$'000	Ocean Freight HK$'000	Logistics HK$'000	Trading HK$'000	Fulfillment HK$'000	Elimination HK$'000	Total HK$'000
For the year ended 31 December 2020							
Segment revenue							
External sales	**201,569**	**75,473**	**105,327**	**4,280**	**100,992**	**—**	**487,641**
Inter-segment sales	**44,338**	**2,866**	**16,172**	**–**	**33,237**	**(96,613)**	**–**
	245,907	**78,339**	**121,499**	**4,280**	**134,229**	**(96,613)**	**487,641**
Segment results	**18,231**	**7,577**	**19,090**	**371**	**19,454**	**–**	**64,723**
Interest income							**2,010**
Other income							**9,051**
Other gains and losses, net							**(2,328)**
Administrative expenses							**(42,257)**
Impairment loss made on allowance for trade receivables							**(11,320)**
Share-based payment expenses							**(493)**
Share of losses of joint venture							**(73)**
Finance costs							**(5,904)**
Profit before tax							**13,409**
For the year ended 31 December 2019							
Segment revenue							
External sales	114,736	103,877	111,583	–	82,123	–	412,319
Inter-segment sales	8,374	2,163	6,217	–	–	(16,754)	–
	123,110	106,040	117,800	–	82,123	(16,754)	412,319
Segment results	11,541	11,615	7,235	–	2,597	–	32,988
Interest income							3,797
Other income							55
Other gains and losses, net							(284)
Administrative expenses							(45,527)
Impairment loss made on allowance for trade receivables							(2,700)
Share of profits of joint venture							114
Finance costs							(7,036)
Loss before tax							(18,593)

Segment results mainly represented profit before taxation earned by each segment without allocation of interest revenue, other income, other gains and losses, net, administrative expenses, impairment loss made on allowance for trade receivables, share-based payment expenses, share of results of joint venture and finance costs. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

7. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Timing of revenue recognition

	Freight forwarding			E-Commerce		
	Air Freight HK$'000	Ocean Freight HK$'000	Logistics HK$'000	Trading HK$'000	Fulfillment HK$'000	Total HK$'000
For the year ended 31 December 2020						
Contract with customers within the scope of HKFRS 15						
At a point in time	**–**	**–**	**–**	**4,280**	**–**	**4,280**
Over time	**201,569**	**75,473**	**105,327**	**–**	**100,992**	**483,361**
For the year ended 31 December 2019						
Contract with customers within the scope of HKFRS 15						
Over time	114,736	103,877	111,583	–	82,123	412,319
	114,736	103,877	111,583	–	82,123	412,319

Geographical information

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

Information about major customers

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

	2020 HK$'000	2019 HK$'000
Customer A		
— revenue generated in air freight, ocean freight and logistics segment	**72,951**	*26,936
Customer B		
— revenue generated e-commerce fulfillment segment	***24,225**	58,736

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

7. REVENUE AND SEGMENT INFORMATION (Continued)

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

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

E-commerce — trading of consumables through an online platform

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

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

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

8. OTHER INCOME

	2020 HK$'000	2019 HK$'000
Government grant (Note)	**8,322**	–
Sundry income	**729**	55
	9,051	55

Note: During the year ended 31 December 2020, the Group recognised government grants of HK$8,322,000 (2019: Nil) related to Employment Support Scheme provided by the Hong Kong government. Government grants in respect of the Covid-19-related subsidies were recognised at the time the Group fulfilled the relevant granting criteria.

9. OTHER GAINS AND LOSSES, NET

	2020 HK$'000	2019 HK$'000
Net exchange difference	**(291)**	(309)
(Loss)/gain on disposal of property, plant and equipment	**(2,037)**	25
	(2,328)	(284)

10. FINANCE COSTS

	2020 HK$'000	2019 HK$'000
Interest expenses on:		
Bank borrowings	**4,429**	5,037
Lease liabilities	**1,475**	1,999
	5,904	7,036

11. INCOME TAX EXPENSE/(CREDIT)

	2020 HK$'000	2019 HK$'000
Hong Kong Profits Tax		
— current tax	**882**	40
— over-provision for the prior year	**(83)**	–
	799	40
Deferred tax (Note 29)	**590**	(633)
	1,389	(593)

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the two years ended 31 December 2020 and 2019.

Under the Law of People's Republic of China ("**PRC**") on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for the two years ended 31 December 2020 and 2019. No provision for taxation in the PRC has been made as all the Group's income arises in Hong Kong.

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

	2020 HK$'000	2019 HK$'000
Profit/(loss) before tax	**13,409**	(18,593)
Tax at Hong Kong Profits Tax rate of 16.5%	**2,212**	(3,068)
Tax effect of income not taxable and expenses not deductible	**2,575**	(779)
Tax effect of tax loss not recognised	**1,168**	3,344
Over-provision in prior years	**(83)**	–
Utilisation of tax losses previously not recognised	**(4,483)**	(90)
Income tax expense/(credit)	**1,389**	(593)

12. PROFIT/(LOSS) FOR THE YEAR

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

	2020 HK$'000	2019 HK$'000
Auditor's remuneration	**660**	700
Amortisation of computer software	**77**	121
Depreciation of property, plant and equipment	**4,096**	3,323
Depreciation of right-of-use assets	**33,716**	40,559
Cost of inventories sold	**3,909**	–
Impairment loss made on allowance of trade receivables	**11,320**	2,700
Directors' remuneration (Note 13)	**4,122**	5,603
Other staff costs		
Salaries, bonus and allowances	**42,534**	41,060
Retirement benefits scheme contributions	**1,843**	1,637
Equity-settled share option expenses	**282**	–
Total staff costs	**48,781**	48,300

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

(a) Directors' and chief executive's emoluments

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

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit contributions HK$'000	Equity-settled share option expenses HK$'000	Total HK$'000
For the year ended 31 December 2020						
Executive directors						
Mr. Ng Chin Hung	–	1,440	240	18	141	1,839
Mr. Cheng Tak Yuen	–	492	207	18	70	787
Mr. Chan Chun Sing (note vi)	–	456	–	–	–	456
Mr. Tai King Fung (note v)	–	388	100	12	–	500
	–	2,776	547	48	211	3,582
Independent non-executive directors						
Mr. Lee Kwong Chak, Bonnio	180	–	–	–	–	180
Mr. Pang Chung Fai, Benny	180	–	–	–	–	180
Mr. Chan Fei Fei	180	–	–	–	–	180
	540	–	–	–	–	540
	540	2,776	547	48	211	4,122

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

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

	Fees HK$'000	Salaries and allowances HK$'000	Discretionary bonus HK$'000	Retirement benefit contributions HK$'000	Equity-settled share option expenses HK$'000	Total HK$'000
For the year ended 31 December 2019						
Executive directors						
Mr. Ng Chin Hung (note i)	–	348	120	4	–	472
Mr. Cheng Tak Yuen (note i)	–	119	41	4	–	164
Mr. Chan Chun Sing (note i)	–	255	–	–	–	255
Mr. Cheng (note ii)	–	1,800	–	15	–	1,815
Mr. Chan Kwok Wai (note ii)	–	603	187	14	–	804
Mr. Lo Wai Wah (note ii)	–	438	45	14	–	497
Mr. Yau Sze Yeung (note ii)	–	891	–	15	–	906
	–	4,454	393	66	–	4,913
Independent non-executive directors						
Mr. Lee Kwong Chak, Bonnio (note iii)	50	–	–	–	–	50
Mr. Pang Chung Fai, Benny (note iii)	50	–	–	–	–	50
Mr. Chan Fei Fei (note iii)	50	–	–	–	–	50
Mr. Siu Wing Hay (note iv)	135	–	–	–	–	135
Mr. Wong Yee Lut, Eliot (note iv)	135	–	–	–	–	135
Mr. Luk Kin Ting (note iv)	135	–	–	–	–	135
Mr. Lau Chi Kit (note iv)	135	–	–	–	–	135
	690	–	–	–	–	690
	690	4,454	393	66	–	5,603

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

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

Notes:

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

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

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

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

(v) Mr. Tai King Fung was appointed as executive director of the Company on 8 May 2020.

(vi) Mr. Chan Chun Sing resigned as executive director of the Company on 8 December 2020.

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

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

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

During the year, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 35 to the financial statements. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

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

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

Save for disclosed above and in note 33 to the consolidated financial statement, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

(b) Five highest paid individuals

The five highest paid employees of the Group during the year include two (2019: four) executive directors of the Company. Details of the remuneration for the current year of the remaining three (2019: one) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 HK$'000	2019 HK$'000
Basic salaries and allowances	**1,766**	600
Discretionary bonus	**959**	100
Retirement benefits contributions	**54**	18
Equity-settled share option expense	**211**	–
	2,990	718

	Number of employees	
	2020	2019
Nil to HK$1,000,000	**2**	1
HK$1,000,001 to HK$2,000,0000	**1**	–
	3	1

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

14. DIVIDENDS

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

15. EARNING/(LOSS) PER SHARE

Basic earning/(loss) per share

The calculation of basic earning/(loss) per share attributable to owners of the Company is based on the profit for the year attributable to owners of the Company of approximately HK$11,170,000 (2019: loss for the year attributable to owners of the Company of approximately HK$18,070,000) and the weighted average number of ordinary shares of 600,000,000 (2019: 600,000,000) in issue during the year.

Diluted earning/(loss) per share

The computation of diluted loss 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 shares for 2020. Accordingly, the weighted average numbers of ordinary shares used as denominators in calculating the basic and diluted loss per share are the same as the potential dilutive ordinary shares during the year ended 31 December 2020.

No diluted losses per share are presented as the Company did not have any dilutive potential ordinary shares for the year ended 31 December 2019.

16. PROPERTY, PLANT AND EQUIPMENT

(a) Property, plant and equipment

	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture, fixtures and office equipment HK$'000	Motor vehicle HK$'000	Total HK$'000
COST					
At 1 January 2019	2,195	9,624	8,096	5,083	24,998
Additions	1,204	4,105	630	–	5,939
Acquisition a subsidiary	–	–	135	970	1,105
Disposals	–	–	–	(395)	(395)
At 31 December 2019 and 1 January 2020	3,399	13,729	8,861	5,658	31,647
Additions	380	3,206	1,203	–	4,789
Disposals	(1,627)	(2,782)	(1,768)	–	(6,177)
At 31 December 2020	2,152	14,153	8,296	5,658	30,259
ACCUMULATED DEPRECIATION					
At 1 January 2019	1,297	6,336	4,083	4,961	16,677
Charge for the year	331	1,500	1,314	178	3,323
Disposals	–	–	–	(395)	(395)
At 31 December 2019 and 1 January 2020	1,628	7,836	5,397	4,744	19,605
Charge for the year	516	1,826	1,399	355	4,096
Disposals	(589)	(1,025)	(1,075)	–	(2,689)
At 31 December 2020	1,555	8,637	5,721	5,099	21,012
CARRYING AMOUNTS					
At 31 December 2020	597	5,516	2,575	559	9,247
At 31 December 2019	1,771	5,893	3,464	914	12,042

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) Computer software

	Total HK$'000
COST	
At 1 January 2019	888
Additions	33
At 31 December 2019, 1 January 2020 and 31 December 2020	**921**
AMORTISATION	
At 1 January 2019	610
Charge for the year	121
At 31 December 2019 and 1 January 2020	731
Charge for the year	77
At 31 December 2020	**808**
CARRYING AMOUNTS	
At 31 December 2020	**113**
At 31 December 2019	190

17. DEPOSITS PLACED IN LIFE INSURANCE POLICIES

	2020 **HK$'000**	2019 HK$'000
Deposits placed in life insurance policies	**111,769**	109,770

Reconciliation of the movement for deposit in life insurance policies:

	2020 **HK$'000**	2019 HK$'000
At 1 January	**109,770**	106,468
Accrued interest earned during the year	**2,010**	3,302
Exchange realignment	**(11)**	–
At 31 December	**111,769**	109,770

17. DEPOSITS PLACED IN LIFE INSURANCE POLICIES (Continued)

Two deposits placed in life insurances policies amounting to HK$100,000,000 ("**Insurances policy A**") and US$644,000 ("**Insurances policy B**"). 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 Insurances policy A and 15th policy year for Insurances policy B.

The effective interest rate of Insurances policy A and Insurances policy B is 2.64% per annum and 1.31% per annum, respectively, which is determined on initial recognition by discounting the estimated future cash receipts over the expected life of policies of 15 years.

18. RIGHT-OF-USE ASSETS

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

	Buildings HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2019	45,659	2,464	48,123
Additions	36,752	3,717	40,469
Additions as a result of acquisition of a subsidiary	–	871	871
Depreciation charge	(39,253)	(1,306)	(40,559)
As at 31 December 2019 and 1 January 2020	43,158	5,746	48,904
Additions	12,915	4,016	16,931
Depreciation charge	(31,897)	(1,819)	(33,716)
Termination of lease	(7,473)	–	(7,473)
As at 31 December 2020	**16,703**	**7,943**	**24,646**

The Group leases various motor vehicles and buildings. Lease agreements are typically made for fixed periods of one to four years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and the leased assets may not be used as security for borrowing purposes.

19. INTEREST IN AN ASSOCIATE

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

20. INTEREST IN A JOINT VENTURE

The following table shows, in aggregate, the Group's share of the amounts of all individually immaterial joint ventures that are accounted for using the equity method:

	2020 HK$'000	2019 HK$'000
Unlisted investments in Hong Kong		
Share of net assets	**–**	114
Advance to a joint venture	**–**	40
	–	154
Unlisted investments overseas		
Share of net assets	**624**	–
Advance to a joint venture	**–**	–
	624	–
	624	154

During the year ended 31 December 2020, the Group obtained control of one of its joint venture in July 2020 as further detailed in note 36. Immediately prior to obtaining control, the Group recorded a share of loss on the joint venture of approximately HK$154,000.

As at 31 December 2020, the unlisted investments overseas represented the 70% equity interest in Janco E-commerce Solutions (USA) Inc ("**JEC USA**"). As at 31 December 2020, included in trade receivables and trade payables are approximately HK$1,990,000 and HK$219,000, respectively, related to JEC USA arising from the normal course of the Group's business. For details, please refer to note 33.

On 1 January 2020, Janco Global Logistics, a wholly-owned subsidiary of the Company, entered into an agreement with two individual third parties. Pursuant to the agreement, Janco Global Logistics was required to contribute US$70,000 (equivalent to approximately HK$543,000) for 7,000 shares in JEC USA, representing 70% of the ordinary shares of JEC USA and has 70% profit sharing in JEC USA. However, the decisions about the relevant activities of JEC USA should be unanimously approved by Janco Global Logistics and the other two venturers. Therefore, JEC USA is regarded as a joint venture of the Group. During the year ended 31 December 2020, the share of profits in JEC USA of approximately HK$81,000 was recognised in the share of (losses)/profits of joint venture.

21. INVENTORIES

As at 31 December 2020, inventories represented finished goods arising from the e-commerce online trading platform. The Group's inventories were stated at cost at the end of reporting period.

22. TRADE AND OTHER RECEIVABLES

	2020 HK$'000	2019 HK$'000
Trade receivables	**128,820**	90,048
Less: Allowance for trade receivables	**(14,020)**	(5,972)
	114,800	84,076
Rental deposits	**7,968**	7,541
Other prepayments and deposits	**5,336**	3,230
Total trade and other receivables	**128,104**	94,847
Analysed as:		
Current assets:		
Trade receivables	**114,800**	84,076
Other receivables, prepayments and deposits	**7,456**	3,873
	122,256	87,949
Non-current assets:		
Rental deposits	**5,848**	6,898
	128,104	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 (net of allowance) presented based on invoice dates, which approximate the revenue recognition dates, at the end of each reporting period:

	2020 HK$'000	2019 HK$'000
0 to 30 days	**52,051**	41,164
31 to 60 days	**44,529**	18,064
61 to 90 days	**11,293**	7,102
91 to 365 days	**6,927**	17,157
Over 365 days	**–**	589
	114,800	84,076

22. TRADE AND OTHER RECEIVABLES (Continued)

Reconciliation of loss allowance for trade receivables:

	2020 HK$'000	2019 HK$'000
At 1 January	**5,972**	3,272
Amounts written off during the year	**(3,272)**	–
Increase in loss allowance for the year	**11,320**	2,700
At 31 December	**14,020**	5,972

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

	Current	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 days to 365 days past due	Over 365 days	Total
At 31 December 2020							
Weighted average expected loss rate	**0%**	**2%**	**4%**	**4%**	**10%**	**100%**	
Receivable amount (HK$'000)	**80,144**	**25,087**	**5,942**	**1,345**	**3,326**	**12,976**	**128,820**
Loss allowance (HK$'000)	**–**	**(397)**	**(250)**	**(53)**	**(344)**	**(12,976)**	**(14,020)**
At 31 December 2019							
Weighted average expected loss rate	0%	0%	0%	0%	6%	93%	
Receivable amount (HK$'000)	57,599	9,774	2,409	697	14,017	5,552	90,048
Loss allowance (HK$'000)	–	–	–	–	(808)	(5,164)	(5,972)

23. PLEDGED BANK DEPOSITS/BANK BALANCE AND CASH

As at 31 December 2020, the pledged bank deposit represented a deposit pledged to bank to secure certain short-term banking facilities granted to the Group and was therefore classified as current asset. The pledged bank deposit would be released upon settlement of the relevant bank borrowings. The pledged bank deposit carry fixed interest at rate of 0.15% (2019: 0.01% and 2.0%) per annum.

As at 31 December 2020, bank balances and cash are comprised of cash on hand and bank balances and the bank balances carry interest at prevailing market interest rates which range from 0.01% to 0.25% (2019: 0.01% to 0.25%) per annum.

24. TRADE PAYABLES/OTHER PAYABLES AND ACCRUALS

	2020 HK$'000	2019 HK$'000
Trade payables	**48,658**	35,221
Other payables	**10,956**	2,019
Accruals	**11,019**	5,541
Total trade payables and other payables and accruals	**70,633**	42,781

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

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

	2020 HK$'000	2019 HK$'000
0 to 30 days	**29,253**	21,844
31 to 60 days	**11,718**	9,022
61 to 90 days	**4,317**	2,117
Over 90 days	**3,370**	2,238
	48,658	35,221

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

25. DUE TO THE CONTROLLING SHAREHOLDER/NON-CONTROLLING INTERESTS

The above advances are unsecured, non-trade nature, interest-free and repayable on demand is suggested.

26. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December 2020 HK$'000	 2019 HK$'000
Contract liabilities	**393**	84
Contract receivables (included in trade receivables)	**114,800**	84,076

26. CONTRACT LIABILITIES (Continued)

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

	2020 HK$'000	2019 HK$'000
— 2019	**N/A**	N/A
— 2020	**N/A**	84
— 2021	**393**	–
	393	84

	2020 HK$'000	2019 HK$'000
Revenue recognised in the year that was included in contract liabilities at beginning of year	**84**	472

Significant changes in contract liabilities during the year

	2020 HK$'000	2019 HK$'000
Increase due to operations in the year	**393**	84
Transfer of contract liabilities to revenue	**84**	472

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

27. BANK BORROWINGS

	2020 HK$'000	2019 HK$'000
Variable-rate bank borrowings		
Secured	**143,652**	144,276
Unsecured	**–**	3,743
	143,652	148,019

27. BANK BORROWINGS (Continued)

	2020 HK$'000	2019 HK$'000
The carrying amounts of bank borrowings that contain a repayment on demand clause but repayable:		
Within one year	**143,652**	148,019
Within a period of more than one year but not exceeding two years	**–**	–
Within a period of more than two years but not exceeding five years	**–**	–
	143,652	148,019
Less: Amount shown under current liabilities	**(143,652)**	(148,019)
Amount shown under non-current liabilities	**–**	–

The Group's borrowings are denominated in HK$. The range of effective interest rate on the Group's bank borrowings is from 2% to 4.6%

At 31 December 2020, the banking borrowings are secured by:

(i) the pledged bank balances of HK$17,422,000 (2019: HK$22,545,000);

(ii) deposits placed in life insurance policies as disclosed in note 17;

(iii) corporate guarantee by the Company.

28. LEASE LIABILITIES

The carrying amount of lease liabilities and the movements during the year are as follows:

	2020 HK$'000	2019 HK$'000
Carrying amount at 1 January	**47,963**	47,852
New leases	**16,931**	40,469
Accretion of interest recognised during the year	**1,475**	1,999
Covid-19-related rent concessions from lessors	**(431)**	–
Payments	**(35,310)**	(42,357)
Termination of lease	**(7,753)**	–
Carrying amount at 31 December	**22,875**	47,963
Analysed into:		
Current portion	**12,899**	30,172
Non-current portion	**9,976**	17,791

28. LEASE LIABILITIES (Continued)

	Lease payments		Present value of lease payments	
	2020	2019	**2020**	2019
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**13,581**	31,458	**12,899**	30,172
Within a period of more than one year but not more than two years	**8,358**	13,532	**8,029**	13,078
Within a period of more than two years but not more than five years	**2,037**	4,796	**1,947**	4,713
	23,976	49,786	**22,875**	47,963
Less: future finance charges	**(1,101)**	(1,823)	**N/A**	N/A
Present value of lease obligations	**22,875**	47,963	**22,875**	47,963
Less: Amounts due for settlement within twelve months (shown under current liabilities)			**(12,899)**	(30,172)
Amounts due for settlement after twelve months			**9,976**	17,791

At 31 December 2020, the weighted average incremental borrowing rate was 3.8% (2019: 3.8%). The rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

During the year ended 31 December 2020, there was a termination of lease which resulted in approximately HK$280,000 gain on termination of lease recorded in administrative expenses.

On 6 October 2020, an indirect wholly-owned subsidiary of the Group entered into a lease agreement with an independent third party, effective from 1 January 2021. The estimated right-of-use asset related to this lease is HK$48.2 million. For details, please refer to the Company's announcement dated 18 November 2020.

29. DEFERRED TAX LIABILITIES

	Accelerated tax depreciation
	HK$'000
At 1 January 2019	628
Credit to profit or loss (note 11)	(633)
Acquisition of subsidiaries	102
At 31 December 2019 and at 1 January 2020	97
Charge to profit or loss (note 11)	590
Acquisition of subsidiaries	–
At 31 December 2020	687

At 31 December 2020, the Group had unused tax losses of HK$21,717,000 (2019: HK$48,886,000), available to offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

30. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Authorised:		
Ordinary shares of HK$0.01 (2019: HK$0.01) each		
At 31 December 2019 and 2020	1,500,000,000	15,000
Issued and fully paid:		
Ordinary shares of HK$0.01 (2019: HK$0.01) each		
At 31 December 2019 and 2020	600,000,000	6,000

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

The capital structure of the Group consists of net debt, which includes bank borrowings, due to the controlling shareholder, due to non-controlling interests and leases liabilities, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising issued share capital and reserves.

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

	2020 HK$'000	2019 HK$'000
Total debt	**170,429**	205,384
Less: cash and cash equivalents	**(8,225)**	(3,973)
Net debt	**162,204**	201,411
Total equity	**57,630**	45,681
Debt-to-adjusted capital ratio	**281%**	441%

The decrease in the debt-to-adjusted capital ratio during the year ended 31 December 2020 resulted primarily from increase of cash and cash equivalents.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 HK$'000	2019 HK$'000
Non-current assets		
Investment in a subsidiary — cost (note i)	**1**	1
Investment in a subsidiary — deemed contribution (note ii)	**42,394**	42,394
	42,395	42,395
Current assets		
Other receivables	**–**	–
Current liabilities		
Other payables and accruals	**50**	50
Amounts due to subsidiaries	**4,075**	4,025
	4,125	4,075
Net current liabilities	**(4,125)**	(4,075)
NET ASSETS	**38,270**	38,320
Capital and reserves		
Share capital	**6,000**	6,000
Reserves	**32,270**	32,320
TOTAL EQUITY	**38,270**	38,320

Notes:

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

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

Approved by the Board of Directors on 19 March 2021 and are signed on its behalf by:

Ng Chin Hung *Director*	Cheng Tak Yuen *Director*

32. RESERVES

(a) Group

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

(b) Company

	Share premium HK$'000	Capital reserve HK$'000	Other reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2019	47,755	1	4,658	(20,013)	32,401
Loss and total comprehensive expense for the year	–	–	–	(81)	(81)
At 31 December 2019 and 1 January 2020	**47,755**	**1**	**4,658**	**(20,094)**	**32,320**
Loss and total comprehensive expense for the year	**–**	**–**	**–**	**(50)**	**(50)**
At 31 December 2020	**47,755**	**1**	**4,658**	**(20,144)**	**32,270**

33. RELATED-PARTY TRANSACTIONS

Compensation of key management personnel

	2020 HK$'000	2019 HK$'000
Fees	**540**	690
Salaries and other allowances	**2,776**	4,454
Discretionary bonus	**547**	393
Retirement benefit scheme contributions	**48**	66
Equity-settled share option expense	**211**	–
	4,122	5,603

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

33. RELATED-PARTY TRANSACTIONS (Continued)

Summary of significant related party transactions

The following is a summary of significant related party transactions, which were carried out in the normal course of the Group's business:

	Notes	2020 HK$'000	2019 HK$'000
Management fee income for services provided to joint venture	(i)	**1,740**	–
Service fee income in respect of provision of warehouse and handling services to a joint venture	(ii)	**27,977**	2,666
Service fee income in respect of provision of freight forwarding services to a joint venture	(iii)	**1,990**	–
Service fee expenses in respect of provision of local delivery services from a joint venture	(iv)	**219**	–

Notes:

(i) Management services were provided by Janco Global Logistics, an indirectly wholly-owned subsidiary of the Company, to Jandoor Supply Chain Management Limited ("**Jandoor**"), prior to the acquisition of Jandoor as a subsidiary, at prices mutually agreed by both parties.

(ii) Warehouse and handling services were provided by Janco Logistics (HK) Limited, an indirectly wholly-owned subsidiary of the Company, to Jandoor prior to the acquisition of Jandoor as a subsidiary, at prices mutually agreed by both parties.

(iii) Freight forwarding services were provided by Janco Global Logistics and Janco Express Limited, indirectly wholly-owned subsidiaries of the Company, to JEC USA, a joint venture of the Group, at prices mutually agreed by both parties.

(iv) Local delivery services were provided to Janco Global Logistics, Janco Logistics (HK) Limited, Janco E-commerce Solutions Limited, indirectly wholly-owned subsidiaries of the Company, from JEC USA, a joint venture of the Group, at prices mutually agreed by both parties.

34. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY

Details of the Company's major subsidiaries as at 31 December 2020 and 2019 are as follows:

Name of subsidiaries	Place of incorporation and operation/date of incorporation	Issued and fully paid share capital	Equity interest attributable to the Group as at 2020	2019	Principal activities
Janco Global Logistics Limited	Hong Kong/ 23 June 2015	HK$500,000 ordinary shares	**100%**	100%	Provision of air and ocean freight forwarding services
Janco Logistics (HK) Limited	Hong Kong/ 21 March 2005	HK$1,000,000 ordinary shares	**100%**	100%	Provision of warehousing and ancillary logistics services
Transpeed Hong Kong Limited	Hong Kong/ 21 December 2012	HK$10,000 ordinary shares	**100%**	100%	Provision of air freight forwarding services

34. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY (Continued)

Name of subsidiaries	Place of incorporation and operation/date of incorporation	Issued and fully paid share capital	Equity interest attributable to the Group as at 2020	2019	Principal activities
Janco E-Commerce Solutions Limited	Hong Kong/ 1 February 2017	HK$10,000 ordinary shares	**100%**	100%	Trading of consumables through online platform and provision for fulfillment services
Jandoor Supply Chain Management Limited	Hong Kong/ 28 July 2016	HK$8,000,000 ordinary shares	**50%#**	N/A	Provision for fulfillment services

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

\# As the Group obtained two out of three seats in the board of directors, it is considered that the Group has control and power over the entity.

35. EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY

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

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

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

35. EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY (Continued)

On 24 June 2020, a total of 10,500,000 share options (the "**Options**") were granted under the Scheme at a exercise price of HK$0.2066 per share to two Directors and three employees. For further details, please refer to the Company's announcement dated 24 June 2020.

As at 31 December 2020, a total of 10,500,000 Options granted under the Scheme were outstanding (2019: Nil).

Movement of the Options, which were granted under the Scheme, during the year ended 31 December 2020 are listed below in accordance with Rul 23.07 of the GEM Listing Rules:

	Category	Date of grant	Vesting Date (note c)	Number of Options Outstanding as at 01/01/2020	Granted (Notes a and b)	Exercised (Notes a and b)	Lapsed	Outstanding as at 31/12/2020	Exercise Price	Exercise Period
1.	Directors									
	Ng Chin Hung	2020/6/24	24/6/2021 (50%)	–	1,500,000	–	–	1,500,000	0.2066	24/06/2021 – 23/06/2030
		2020/6/24	24/6/2022 (50%)	–	1,500,000	–	–	1,500,000	0.2066	24/06/2022 – 23/06/2030
	Cheng Tak Yuen	2020/6/24	24/6/2021 (50%)	–	750,000	–	–	750,000	0.2066	24/06/2021 – 23/06/2030
		2020/6/24	24/6/2022 (50%)	–	750,000	–	–	750,000	0.2066	24/06/2022 – 23/06/2030
2	Employees	2020/6/24	24/6/2021 (50%)	–	3,000,000	–	–	3,000,000	0.2066	24/06/2021 – 23/06/2030
		2020/6/24	24/6/2022 (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 Scheme. No Option was transferred from/to other category, lapsed or cancelled under the 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.

The Group recognised the total expenses of approximately HK$493,000 (2019: Nil) for the year ended 31 December 2020 in relation to share options granted by the Company.

35. EQUITY-SETTLED SHARE OPTION SCHEME OF THE COMPANY (Continued)

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	2020
Dividend yield (%)	0.00%
Historical volatility (%)	66.67%
Risk-free interest rate (%)	0.64%
Expected life of options (year)	10

No other feature of the options granted was incorporated into the measurement of fair value.

No share options were exercised during the year ended 31 December 2020.

At the end of the reporting period, the Company had 10,500,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 10,500,000 additional ordinary shares of the Company and additional share capital of HK$2,169,000 (before issue expenses).

Subsequent to the end of the reporting period, no share options were exercised.

At the date of approval of these financial statements, the Company had 10,500,000 share options outstanding under the Scheme, which represented approximately 1.75% of the Company's shares in issue as at that date.

36. ACQUISITION OF A SUBSIDIARY

For the year ended 31 December 2020

On 31 July 2020, the Group obtained control of its existing joint venture, Jandoor, through its wholly owned subsidiary — Janco E-commerce Solutions Limited (the "**Jandoor Acquisition**") by the right to appoint two out of three seats in the board of directors, with effect from the completion of the Jandoor Acquisition, the effective interest of the Group in Jandoor was 50%. Jandoor is a company established in Hong Kong, which is engaged to provide fulfillment services. The consideration for the Jandoor Acquisition was HK$Nil.

36. ACQUISITION OF A SUBSIDIARY (Continued)

For the year ended 31 December 2020 (Continued)

The fair value of the identifiable assets and liabilities of Jandoor acquired as at its date of acquisition is as follows:

Net assets acquired:

	HK$'000
Trade receivables	**14,568**
Other receivables	**35**
Bank balances and cash	**857**
Amount due to a fellow subsidiary	**(1,240)**
Trade payables	**(12,406)**
Other payables and accruals	**(1,812)**
Income tax payable	**(2)**
Non-controlling interests	**–**
	–
Satisfied by:	
Deemed consideration on disposal of joint venture	**–**
Net cash inflow arising on acquisition:	
Cash consideration paid	**–**
Cash and cash equivalent acquired	**857**
	857

The fair value of the trade and other receivables acquired is HK$14,603,000. There is no trade and other receivable expected to be uncollectible.

Jandoor contributed approximately HK$37,602,000 and HK$379,000 to the Group's revenue and profit for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2020, total Group revenue for the year would have been approximately HK$494,712,000, and profit for the year would have been HK$11,712,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is intended to be a projection of future results.

36. ACQUISITION OF A SUBSIDIARY (Continued)

For the year ended 31 December 2019

On 30 September 2019, the Group acquired 100% of the issued share capital of Super Link Global Limited ("**Super Link**") through its 51% owned subsidiary — Applied Equity Limited (the "**Acquisition**"), with effect from the completion of the Acquisition, the effective interest of the Group in Super Link was 51%. Super Link is a company established in Hong Kong,which is engaged in provision of local transportation services, for a cash consideration of approximately HK$1,728,000.

The fair value of the identifiable assets and liabilities of Super Link acquired as at its date of acquisition is as follows:

Net assets acquired:

	HK$'000
Property, plant and equipment	1,105
Right of use asset	3,230
Trade receivables	1,454
Prepayments, deposits and other receivables	53
Bank and cash balances	65
Trade and other payables	(1,736)
Lease liabilities	(2,359)
Current tax liabilities	(43)
Deferred tax liabilities	(102)
	1,667
Goodwill	61
	1,728
Satisfied by:	
Cash	881
Consideration payable	847
	1,728
Net cash outflow arising on acquisition:	
Cash consideration paid	(881)
Cash and cash equivalents acquired	65
	(816)

36. ACQUISITION OF A SUBSIDIARY (Continued)

For the year ended 31 December 2019 (Continued)

The fair value of the trade and other receivables acquired is HK$1,507,000. There is no trade and other receivable expected to be uncollectible.

The goodwill arising on the acquisition of Super Link is attributable to the anticipated profitability of the distribution of the Group's products in the new markets and the anticipated future operating synergies from the combination

Super Link contributed approximately HK$2,789,000 and HK$142,000 to the Group's revenue and profit for the year respectively for the period between the date of acquisition and the end of the reporting period.

If the acquisition had been completed on 1 January 2019, total Group revenue for the year would have been approximately HK$413,115,000, and loss for the year would have been HK$17,807,000. The proforma information is for illustrative purposes only and is not necessarily an indication of the revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is intended to be a projection of future results.

37. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Changes in liabilities arising from financing activities

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

	Due to the controlling shareholder HK$'000	Interest payables HK$'000	Lease liabilities HK$'000	Bank borrowings HK$'000	Total HK$'000
At 1 January 2019	–	116	47,852	162,307	210,275
Changes in cash flows	8,746	(4,921)	(42,357)	(15,026)	(53,558)
Non-cash changes					
— additions					
— new finance leases	–	–	40,469	–	40,469
— finance costs recognised	–	5,037	1,999	–	7,036
— others	–	–	–	738	738
At 31 December 2019 and 1 January 2020	**8,746**	**232**	**47,963**	**148,019**	**204,960**
Changes in cash flows	**(5,500)**	**(4,429)**	**(35,310)**	**(4,367)**	**(49,606)**
Non-cash changes					
— new finance leases	**–**	**–**	**16,931**	**–**	**16,931**
— finance costs recognised	**–**	**4,429**	**1,475**	**–**	**5,904**
— termination of lease	**–**	**–**	**(7,753)**	**–**	**(7,753)**
— Covid-19-related rent concessions	**–**	**–**	**(431)**	**–**	**(431)**
At 31 December 2020	**3,246**	**232**	**22,875**	**143,652**	**170,005**

38. NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

On 29 January 2021, the Company was informed by Million Venture, the controlling shareholder of the Company, that it entered into a placing agreement with the placing agent to place up to 144,000,000 shares to independent third parties, representing 24% of the then issued share capital of the Company, at the placing price of HK$0.15 per share. On 23 February 2021, the placing was completed and Million Venture's interest in the Company was reduced to 306,000,000 shares, representing 51% of the issued share capital of the Company. For further information, please refer to the announcements of the Company dated 29 January 2021 and 23 February 2021.

The outburst of COVID-19 has brought additional uncertainties in the global macroeconomic situation which may affect the Group's financial performance. However, since the outburst is a fluid and challenging situation facing all the industries globally, the degree of impact could not be reasonably estimated at this stage. The Group will closely monitor the development of the outburst and assess its impact on the financial position and operating results of the Group. The Group does not have other significant subsequent events.

39. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to current year's presentation.

40. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 19 March 2021.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Revenue	220,928	351,141	366,802	412,319	**487,641**
Profit/(loss) before taxation	691	3,267	(25,133)	(18,593)	**13,409**
Income tax (expense)/credit	(3,214)	(1,585)	196	593	**(1,389)**
Profit/(loss) for the year	(2,523)	1,682	(24,937)	(18,000)	**12,020**
Profit/(loss) for the year attributable to:					
Owners of the Company	(2,523)	1,682	(24,937)	(18,070)	**11,170**
Non-controlling interests	–	–	–	70	**850**
	(2,523)	1,682	(24,937)	(18,000)	**12,020**

	As at 31 December				
	2016 HK$'000	2017 HK$'000	2018 HK$'000	2019 HK$'000	**2020** **HK$'000**
Total assets	105,931	183,557	324,906	294,110	**300,656**
Total liabilities	(18,959)	(95,273)	(261,446)	(248,429)	**(243,026)**
	86,972	88,284	63,460	45,681	**57,630**
Equity attributable to:					
Owners of the Company	86,972	88,284	63,460	45,420	**56,519**
Non-controlling interests	–	–	–	261	**1,111**
	86,972	88,284	63,460	45,681	**57,630**