Janco Holdings Limited
駿高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8035

ANNUAL REPORT

2022

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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.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Non-Executive Directors (NEDs)

Mr. Chan Kin Chung *(Chairman)*
(appointed on 10 June 2022)
Mr. Po Kam Hi John (appointed as NED on 15 March 2022 and Chairman on 6 April 2022, and retired on 10 June 2022)

Executive Directors (EDs)

Mr. Cheng Tak Yuen
Mr. Heung Ka Lok *(Financial Controller)*
(appointed on 28 October 2022)
Mr. Cheng Hiu Tung, Anthony (retired on 10 June 2022)
Mr. Tsang Zee Ho Paul (appointed as NED on 15 March 2022, redesignated as ED on 6 April 2022, and retired on 10 June 2022)
Mr. Ng Chin Hung (ceased to act as Chairman on 6 April 2022 and resigned on 15 October 2022)

Independent Non-Executive Directors (INEDs)

Mr. Chan William (appointed on 10 June 2022)
Mr. Law Wing Tak Jack (appointed on 28 October 2022)
Mr. Moy Yee Wo Matthew (appointed on 28 October 2022)
Mr. Yu Kwok Fai (appointed on 28 October 2022)
Mr. Yuen Ching Bor Stephen (resigned on 20 April 2022)
Mr. Leung Ka Kui, Johnny (retired on 10 June 2022)
Mr. Kwan Chi Hong (resigned on 15 October 2022)
Mr. Lee Kwong Chak, Bonnio
(resigned on 28 October 2022)

COMPANY SECRETARY

Mr. Chung Kiu Pan (appointed on 28 October 2022)
Mr. Chan Heung Wing Anthony (resigned on 6 April 2022)
Mr. Tsang Zee Ho Paul (appointed on 6 April 2022 and retired on 10 June 2022)
Ms. Ng Ting On Polly (appointed on 10 June 2022 and resigned on 28 October 2022)

COMPLIANCE OFFICERS

Mr. Cheng Tak Yuen (appointed on 15 October 2022)
Mr. Ng Chin Hung (resigned on 15 October 2022)

AUTHORISED REPRESENTATIVES

Mr. Cheng Tak Yuen (appointed on 15 October 2022)
Mr. Chung Kiu Pan (appointed on 28 October 2022)
Mr. Chan Heung Wing Anthony (resigned on 6 April 2022)
Mr. Tsang Zee Ho Paul (appointed on 6 April 2022 and retired on 10 June 2022)
Mr. Ng Chin Hung (resigned on 15 October 2022)
Ms. Ng Ting On Polly (appointed on 10 June 2022 and resigned on 28 October 2022)

BOARD COMMITTEES

Audit Committee

Mr. Moy Yee Wo Matthew *(Chairman)*
(appointed on 28 October 2022)
Mr. Chan William (appointed on 10 June 2022)
Mr. Yu Kwok Fai (appointed on 28 October 2022)
Mr. Yuen Ching Bor Stephen (resigned on 20 April 2022)
Mr. Leung Ka Kui, Johnny (retired on 10 June 2022)
Mr. Kwan Chi Hong (resigned on 15 October 2022)
Mr. Lee Kwong Chak, Bonnio
(resigned on 28 October 2022)

Remuneration Committee

Mr. Yu Kwok Fai *(Chairman)*
(appointed on 28 October 2022)
Mr. Chan William (appointed on 10 June 2022)
Mr. Moy Yee Wo Matthew (appointed on 28 October 2022)
Mr. Yuen Ching Bor Stephen (resigned on 20 April 2022)
Mr. Leung Ka Kui, Johnny (retired on 10 June 2022)
Mr. Kwan Chi Hong (resigned on 15 October 2022)
Mr. Lee Kwong Chak, Bonnio
(resigned on 28 October 2022)

Nomination Committee

Mr. Chan William *(Chairman)* (appointed on 10 June 2022)
Mr. Moy Yee Wo Matthew (appointed on 28 October 2022)
Mr. Yu Kwok Fai (appointed on 28 October 2022)
Mr. Yuen Ching Bor Stephen (resigned on 20 April 2022)
Mr. Leung Ka Kui, Johnny (retired on 10 June 2022)
Mr. Kwan Chi Hong (resigned on 15 October 2022)
Mr. Lee Kwong Chak, Bonnio
(resigned on 28 October 2022)

CORPORATE INFORMATION

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1608, 16th Floor
Tower A, Manulife Financial Centre
No. 223 Wai Yip Street
Kwun Tong, Kowloon
Hong Kong

HONG KONG LEGAL ADVISER

Chiu & Partners
40th Floor, Jardine House
1 Connaught Place
Hong Kong

AUDITOR

McMillan Woods (Hong Kong) CPA Limited
(appointed on 17 January 2023)
Certified Public Accountants
24/F., Siu On Centre
188 Lockhart Road
Wanchai
Hong Kong

McM (HK) CPA Limited (resigned on 17 January 2023)
Certified Public Accountants
24/F., Siu On Centre
188 Lockhart Road
Wanchai
Hong Kong

COMPANY'S WEBSITE

www.jancofreight.com

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKERS

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

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

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

STOCK CODE

8035

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group was founded in 1990 in Hong Kong and has been developing earnestly in the logistics industry. As a well established freight forwarding and logistics one-stop service provider, provision of freight forwarding services forms our core business. We purchase cargo space from airlines, shipping liners, general sales agents ("**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 is direct shipper customers, and we solve their needs by exporting their goods from Hong Kong to worldwide destinations through provision of air freight and ocean freight services. We are particularly successful in destinations in Asia, such as Bangladesh, Sri Lanka, and alongside the Mekong River countries, such as Cambodia and Vietnam. During the year, the Group's freight forwarding services (including air freight and ocean freight forwarding services) accounted for around 41.6% of the total revenue in aggregate.

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

From 2019, we have further developed into the provision of E-Commerce fulfillment services. We have set up and have been running a fulfillment service based on up-to-date mobile applications to provide cross-border logistics activities in response to the increasing demand for E-Commerce from international clients in the United States of America, Europe, Canada and Australia. Such operation successfully grows into providing procurement activities, local distribution and fulfillment services, for example, for the much needed pharmaceutical and medical products.

With its successful and competitive experience in the logistics industry since 1990s, the Group has steadily developed, with a view to extend its services and capture new business opportunities by utilising the strengths and capabilities of the Group and its business acquaintances. We strive to consolidate our relationships with our long term suppliers, customers from all sectors, as well as network and technology providers with our comprehensive product portfolios and cargo knowledge to continue to develop new and successful business for the Group.

OUTLOOK

The general outlook of the business environment will remain challenging. In 2023, the reopening of borders and the relaxation of the pandemic prevention measures in Hong Kong and the People's Republic of China (the "**PRC**") will expect to improve customers' orders. However, we remain cautious about the price increase in fuel and labor, alongside with interest expenses.

The Group believes and is confident that the economy of Hong Kong is gradually recovering, which will benefit the logistics industry. The pandemic has made people more health-conscious and reliant on e-commerce platforms. Therefore, our cold chain logistics solutions and e-commerce fulfillment services will continue to develop and will make strides. Our cold chain logistics management solutions have been developed with high-end, reliable and temperature-controlled technology for transporting and storing pharmaceuticals, health care products, food and skin care products. Going forward, we will continue to invest huge effort to further develop and expand our e-commerce fulfillment services segment by improving operating efficiency with robotic-aid enhancement systems. In addition, the Group has been actively taking measures to develop appropriate products and services to the market.

The management will continue strictly controlling costs and implementing pricing adjustments to increase profitability. Nonetheless, the Group will constantly review business strategies, improve operational efficiency and strive for sustainable growth to create long-term value for shareholders and investors.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Overview

Our revenue was predominately generated from our freight forwarding services, logistics and warehousing services, and e-commerce fulfillment services. For the year ended 31 December 2022 ("**FY2022**") and the year ended 31 December 2021 ("**FY2021**"), our total revenue amounted to approximately HK$512.7 million and HK$569.0 million, respectively. Our profit attributable to owners of the Company (the "**Shareholders**") amounted to approximately HK$4.5 million for FY2022, while our profit attributable to the Shareholders for FY2021 amounted to approximately HK$17.3 million.

Revenue

We generate revenue from the provision of our core freight forwarding services and our logistics and warehousing 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.

Revenue of the Group decreased by approximately 9.9% from approximately HK$569.0 million for FY2021 to approximately HK$512.7 million for FY2022. The decrease in revenue was due to the decrease in revenue generated from freight forwarding services and e-commerce fulfillment services by approximately HK$81.1 million and HK$38.2 million respectively for FY2022. The decrease is partially offset by increase in revenue contributed from provision of logistics and warehousing services of approximately HK$63.1 million for FY2022.

The decrease in revenue from air and ocean freight forwarding services for FY2022 was mainly due to decrease in shipment volume resulting from COVID-19 for FY2022. The decrease in revenue from e-commerce fulfillment services was due to reduction of orders placed for FY2022.

The increase in revenue generated from provision of logistics and warehousing services is contributed from our engagement by the Hong Kong Government to distribute anti-epidemic service bags and electronic wristbands for FY2022.

The following table sets forth a breakdown of our revenue by business segment during FY2021 and FY2022:

Revenue by business segment

	Year ended 31 December			
	2022		2021	
	HK$'000	**%**	HK$'000	%
Freight forwarding	**213,410**	**41.6**	294,502	51.8
— Air freight	**120,291**	**23.4**	184,756	32.5
— Ocean freight	**93,119**	**18.2**	109,746	19.3
Logistics and warehousing	**158,818**	**31.0**	95,767	16.8
E-commerce	**140,444**	**27.4**	178,693	31.4
Total	**512,672**	**100.0**	568,962	100.0

Cost of sales and gross profit

Cost of sales decreased by approximately 10.8% from approximately HK$492.2 million for FY2021 to approximately HK$439.2 million for FY2022. The decrease in cost of sales was mainly attributable to the decrease in direct costs for freight forwarding and e-commerce fulfillment services of approximately HK$77.2 million and HK$27.5 million respectively, which was partially offset by increase in direct costs for logistics and warehousing services of approximately HK$51.7 million.

Gross profit decreased by 4.2% from approximately HK$76.7 million for FY2021 to approximately HK$73.5 million for FY2022. The decrease in gross profit was due to the decrease in gross profit from air freight forwarding services by HK$8.2 million and from e-commerce fulfillment services by HK$10.8 million. The reduction in gross profit is attributable to the decrease in shipment volume of air freight forwarding services and reduction in orders placed for e-commerce fulfillment services.

The effect is partially offset by increase in gross profit from i) ocean freight forwarding services of HK$4.4 million, being to HK$15.0 million for FY2022 from HK$10.6 million in FY 2021, which is contributed from the improvement in gross profit margin as compared with FY2021; and ii) logistics and warehousing services of HK$11.4 million, being to HK$36.8 million for FY2022 from HK$25.4 million for FY2021, which is contributed from our engagement with the Hong Kong Government to distribute anti-epidemic service bags and electronic wristbands for FY2022.

Gross profit margin slightly increased to 14.3% for FY2022 from 13.5% for FY2021. The increase in gross profit margin was mainly contributed from improvement of gross profit margin from freight forwarding and better combination of business segment mix.

Cost of sales by business segment

	Year ended 31 December			
	2022		2021	
	HK$'000	**%**	HK$'000	%
Freight forwarding	**185,777**	**42.3**	263,020	53.4
— Air freight	**107,625**	**24.5**	163,922	33.3
— Ocean freight	**78,152**	**17.8**	99,098	20.1
Logistics and warehousing	**122,000**	**27.8**	70,334	14.3
E-commerce	**131,407**	**29.9**	158,884	32.3
Total	**439,184**	**100.0**	492,238	100.0

Gross profit and gross profit margin by business segment

	Year ended 31 December			
	2022		2021	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	HK$'000	**%**	HK$'000	%
Freight forwarding	**27,633**	**12.9**	31,482	10.7
— Air freight	**12,666**	**10.5**	20,834	11.3
— Ocean freight	**14,967**	**16.1**	10,648	9.7
Logistics and warehousing	**36,818**	**23.2**	25,433	26.6
E-commerce	**9,037**	**6.4**	19,809	11.1
Total	**73,488**	**14.3**	76,724	13.5

Other income

Other income increased significantly by approximately HK$4.3 million from approximately HK$0.6 million for FY2021 to approximately HK$4.9 million for FY2022. The increase in other income was mainly due to the subsidies granted to the Group of HK$4.2 million under the Employment Support Scheme under the Anti-epidemic Fund provided by the Hong Kong SAR Government for FY2022.

Other gains and losses, net

Other gains and losses decreased significantly by approximately HK$4.7 million to approximately HK$1.8 million for FY2022 from approximately HK$6.5 million for FY2021. The decrease in net other gains and losses, as the subsidy from a non-government institution of HK$6.2 million for FY2021 was no longer available for FY2022.

Administrative and selling expenses

Administrative expenses increased by approximately HK$10.7 million from approximately HK$58.5 million for FY2021 to approximately HK$69.2 million for FY2022. The increase in administrative expenses was mainly due to the increase in professional fees for on-going litigations for FY2022.

Income tax

Income tax represents provision of Hong Kong profits tax. The income tax expense of the Group for FY2022 was approximately HK$1.8 million (FY2021: HK$2.1 million).

Profit attributable to owners

For FY2022, the Group recorded a profit attributable to owners of the Company of approximately HK$4.5 million as compared to that of approximately HK$17.3 million for FY2021.

The decrease in profit attributable to owners was mainly attributable to the (i) decrease in gross profit from the e-commerce fulfillment services and air freight forwarding services; and (ii) decrease in net other gains and losses as the subsidy from a non-government institution received in FY2021 was no longer available.

Notwithstanding the above, the Group recorded an increase in (i) gross profit from ocean freight forwarding services, and logistics and warehousing services, and (ii) other income as a result of the subsidies granted to the Group under the Employment Support Scheme under the Anti-epidemic Fund provided by the Hong Kong Government for FY2022.

LIQUIDITY AND FINANCIAL RESOURCES

The current ratio of the Group as at 31 December 2022 was 1.14 times as compared to that of 0.68 times as at 31 December 2021. The increase was mainly due to change of plan from holding a deposit paid for insurance policy of approximately HK$115.0 million until its expected life for FY2021, to surrendering such insurance policy subsequent to FY2022; accordingly the deposit is recognised as a current asset for FY2022.

The gearing ratio of the Group, calculated based on the total obligations under bank borrowings and overdraft, other borrowing and loan from a substantial shareholder divided by total equity at the end of the year and multiplied by 100%, decreased to approximately 159.9% as at 31 December 2022 (2021: approximately 175.1%). With available bank balances, cash and bank credit facilities, the Group has sufficient liquidity to satisfy its funding requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMITMENT

As at 31 December 2022, the Group did not have any material capital commitment (2021: Nil).

CAPITAL STRUCTURE

There had been no change in the Company's capital structure during the Year. 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 6 to the consolidated financial statements in this report.

CHARGE ON THE GROUP'S ASSETS AND CONTINGENT LIABILITIES

As at 31 December 2022, the Group had certain charges on assets which included (i) bank deposits of approximately HK$17.4 million (2021: HK$17.4 million) and (ii) deposits placed in life insurance policies to a bank for an amount of approximately HK$120.4 million (2021: HK$114.7 million) pledged as collateral for the Group's bank borrowings and facilities.

The Group had no material contingent liabilities as at 31 December 2022.

MATERIAL ACQUISITIONS AND DISPOSAL

During the Year, the Group did not have any material acquisition and disposal of subsidiaries, associate and joint ventures during the Year.

LITIGATIONS

Winding-up petitions

*Winding-up petitions brought against Janco Global Logistics Limited ("**JGL**") and Transpeed Hong Kong Limited ("**Transpeed**")*

On 21 April 2022, each of JGL and Transpeed, an indirect wholly-owned subsidiary of the Company, received a winding up petition from FC Bangladesh Limited ("**FCB**") for the alleged debts payable by each of JGL and Transpeed (the "**Alleged Debts**"). On the same day, each of JGL and Transpeed issued an originating summons for an injunction to prevent FCB from presenting winding-up petitions against each of them.

On 3 May 2022, each of JGL and Transpeed issued a writ of summons against FCB to seek declaration that they are not indebted to FCB for the Alleged Debt.

On 18 May 2022, FCB and each of JGL and Transpeed entered into consent summons for the withdrawal of the aforesaid petitions. Sealed orders for the withdrawal of the two aforesaid petitions were subsequently granted on 2 June 2022.

For details, please refer to the announcements of the Company dated 22 April, 4 May and 20 May 2022.

Writ of summons received by the Company

On 17 February 2022, the Company received a Writ of Summons (the "**Writ**") issued by Mr. Cheng, who is a former controlling shareholder, former Chairman and Director, in the High Court of Hong Kong in relation to a letter of indemnity and undertaking executed by the Company in favour of Mr. Cheng dated 17 June 2021 (the "**Letter**").

Among other things, the statement of claim attached to the Writ asserts that:

1. Mr. Cheng is the legal and beneficial owner of a property situated at Flat B, 9th Floor with Car Parking Space No. C33, No. 6 Shiu Fai Terrace, Stubbs Road, Hong Kong (the "**Property**");

2. Mr. Cheng indirectly held around 75% of the Shares of the Company until around early 2021;

3. in May 2019 and May 2021, Mr. Cheng granted 2nd and 3rd mortgages over the Property in favour of DBS Bank (Hong Kong) Limited as security for bank facilities to certain subsidiaries of the Company;

4. Under clause 2 of the Letter, the Company unconditionally and irrevocably agrees and undertakes to use its best endeavour to procure the full release and discharge of the 2nd and 3rd mortgages over the Property as soon as reasonably practicable; and

5. Mr. Cheng claims for specific performance of clause 2 of the Letter as stated in paragraph 4 above.

For details, please refer to the announcement of the Company dated 21 February 2022.

On 9 November 2022, Mr. Cheng and the Company entered into consent summons for the discontinuance of the aforesaid action (the "**Action**") under the Writ. Sealed order in relation to the leave to discontinue the Action was granted on 7 December 2022 and the notice of discontinue in relation to the Action was subsequently served by Mr. Cheng on 12 January 2023.

EXPOSURE TO EXCHANGE RATE FLUCTUATION

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 since HK$ is pegged to USD. The management will consider hedging significant currency exposure should the need arise. As at 31 December 2022, the Group did not have any financial instruments for hedging purpose.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, the Group employed 179 (2021: 188) full time employees. The staff costs, including the Directors' emoluments, of the Group were approximately HK$60.5 million for FY2022, representing a decrease of 20.1% as compared with that of HK$75.8 million for FY2021, which was mainly attributable to the decrease in salaries, bonus and allowances as the number of staff for FY2022 decreased, and the decrease in share option expenses. 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 (i) investment in its subsidiaries by the Company; and (ii) a life insurance policy as disclosed below, the Group did not have any significant investments held as at 31 December 2022. The Group did not have any plans for material investments or capital assets as at 31 December 2022.

Insurance Policy

In July 2018, JGL, 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 surrender the China Taiping Insurance in the coming year.

The following table sets forth the movements of the China Taiping Insurance during FY2022:

	Carrying amount as at 1 January 2022 HK$'000	Changes arising from change of cash flow estimates during the year HK$'000	Accrued interest earned during the year HK$'000	Carrying amount as at 31 December 2022 HK$'000	Percentage to the Group's total assets as at 31 December 2022
China Taiping Insurance	109,368	2,786	2,883	115,037	32.8%

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Cheng Tak Yuen, aged 46, is an executive Director and director of air-freight forwarding operation.

Mr. Cheng has over 28 years of experience in freight forwarding and logistics industries. He joined the Group on 14 April 2000 as an operation supervisor. He is responsible for overseeing the airfreight forwarding business of the Group. Prior to joining the Group, he worked in various freight forwarding companies.

Mr. Heung Ka Lok, aged 42, is an executive Director and the financial controller of the Company. Mr. Heung has over 19 years of experience in accounting, mergers and acquisitions, corporate finance, and company secretarial matters. Mr. Heung obtained a degree of Bachelor of Arts in Accountancy and a Master degree of Corporate Governance from The Hong Kong Polytechnic University. He is also a member of the Hong Kong Institute of Certified Public Accountants, and an associate member of the Hong Kong Chartered Governance Institute and the Chartered Governance Institute. From August 2004 to May 2011, Mr. Heung worked at Deloitte Touche Tohmatsu, where his last position was a manager in the audit department. From June 2011 to July 2016, he worked at Hsin Chong Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (delisted, previous stock code: 404), where his last position was deputy financial controller. From July 2016 to December 2020, he also worked at two private companies as a chief financial officer and company secretary. Mr. Heung is currently a director of two private companies which are principally engaged in food and beverage and gymnastics businesses respectively.

NON-EXECUTIVE DIRECTOR

Mr. Chan Kin Chung, aged 38, is a non-executive Director and the Chairman of the Board.

Mr. Chan obtained a degree of Bachelor in Business Administration in Business Economics & Finance from City University of Hong Kong, and a Master's Degree in Corporate Finance from The Hong Kong Polytechnic University. Mr. Chan is the founder of Reitar LogTech Group, a Property + Logistics Technology (PLT) solution platform, matching Capital, Integrated Logistics Services and Commercial Users together under a modern supply chain ecosystem, and is currently the managing director of Reitar Logtech Group Limited. He is also the founder of Comboxx Group, a logistics technology company dedicated to developing the largest fully automated warehouse with the application of automation, AI and blockchain technology. He is also the founder and chief investment officer of Star Capital Group Limited, a private equity company, which focuses on the investments in real estate projects and technology ventures. Mr. Chan has over 16 years of professional experience in corporate finance, asset management and real estate project investment.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan William, aged 44, is an independent non-executive Director, the chairman of the nomination committee of the Board (the "**Nomination Committee**") and a member of each of the audit committee of the Board (the "**Audit Committee**") and remuneration committee of the Board (the "**Remuneration Committee**").

Mr. Chan obtained a degree of Bachelor in Business Administration in Accounting from Lingnan University in November 2000. He has been an associate member of the Taxation Institute of Hong Kong since September 2010 and is a practising member of The Hong Kong Institute of Certified Public Accountants. Mr. Chan has over 20 years of experience in auditing, accounting and taxation and is the founder of Wall CPA Limited in April 2016 and its managing director since then. Prior to founding Wall CPA Limited, Mr. Chan had worked in Crowe Horwath (HK) CPA Limited as a senior audit manager from February 2009 to April 2016 and in the assurance department of PricewaterhouseCoopers from December 2003 to February 2009, where he was responsible for various audit, merger and acquisition and initial public offering assignments for clients from various backgrounds, including some highly specialised industries such as telecommunication, banking, mining, petroleum, gaming, agriculture, education, etc. The experience Mr. Chan has gained throughout his career has developed his diverse, in-depth and up-to-date knowledge in the current business world and capital market.

Mr. Chan is currently an independent non-executive director and the chairman of the audit committee of JTF International Holdings Limited, a GEM-listed issuer (stock code: 8479).

Mr. Moy Yee Wo Matthew, aged 44, is an independent non-executive Director, the chairman of the Audit Committee and a member of each of the Remuneration Committee and Nomination Committee.

Mr. Moy has over 16 years of experience in the finance industry. Mr. Moy graduated with a degree of Bachelor of Business Administration in Accounting and a degree of Master of Business Administration from The Hong Kong University of Science and Technology. He has been a certified public accountant of The Hong Kong Institute of Certified Public Accountants since July 2005.

Since February 2019, Mr. Moy has been the chief financial officer, company secretary and an authorised representative of Apollo Future Mobility Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 860). From August 2012 to January 2019, Mr. Moy served as the chief financial officer, the company secretary and an authorised representative of China Silver Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 815). Mr. Moy has been an independent non-executive director of (i) Chi Ho Development Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8423) since February 2017; and (ii) Reach New Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8471) since June 2017.

Mr. Law Wing Tak Jack, aged 68, is an independent non-executive Director.

Mr. Law has over 46 years of working experience in management, accounting, corporate and business finance, banking, commerce and corporate affairs. Mr. Law obtained a degree of Bachelor of Arts in Economics and Accounting from Newcastle University in the United Kingdom (the "**UK**") in 1982 and a degree of Master of Arts in Philosophy at The Chinese University of Hong Kong in 2012. He is a fellow member of Institute of Chartered Accountants in England and Wales and a fellow member of Hong Kong Institute of Certified Public Accountants. Mr. Law worked at two of the "Big Four" accounting firms in Hong Kong and was an account manager with The Hongkong and Shanghai Banking Corporation Limited. Mr. Law later held senior executive positions (including the chairman, chief executive officer, chief financial officer and director) in both private and public companies in Hong Kong, the UK, Singapore, the United States of America and the People's Republic of China, which are primarily engaged in a diverse range of business activities. Mr. Law is currently the chairman of Ford Eagle Capital Limited, a private company, and a senior director of a firm of chartered accountants in the UK.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Yu Kwok Fai, aged 42, is an independent non-executive Director, the chairman of the Remuneration Committee and a member of each of the Audit Committee and Nomination Committee.

Mr. Yu has over 19 years of experience in the fields of health food manufacturing and healthcare staffing solution. Mr. Yu obtained a degree of Bachelor of Science in Civil Engineering from the National Taiwan University in 2003. Mr. Yu also obtained a certificate in Personnel Administration and Operations from the Hong Kong Management Association in 2011 and a certificate for Caring Ambassador awarded by the Hong Kong Council of Social Service from 2011 to 2013. Since October 2021, Mr. Yu has been the chapter president of the BNI Association Limited. From August 2003 to July 2012, Mr. Yu worked at Real Nutriceutical Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2010), where his last position was an administrative manager. From August 2012 to March 2014, Mr. Yu worked as administrative manager and management representative of ISO (International Organization for Standardisation) 9001 and ISO 10002 in Bamboos Professional Nursing Services Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2293). Since December 2014, Mr. Yu has been a director and general manager of Care U Professional Nursing Service Limited, a subsidiary of New World Development Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0017) and was appointed as an ISO internal QMS (Quality Management System) Auditor for ISO compliance matters since June 2020.

COMPANY SECRETARY

With effect from 6 April 2022, Mr. Chan Heung Wing Anthony has resigned from his position as the company secretary of the Company, and Mr. Tsang Zee Ho Paul was appointed as the company secretary of the Company on the same date.

With effect from 10 June 2022, Mr. Tsang has resigned from his position as the company secretary of the Company, and Ms. Ng Ting On Polly has been appointed as the company secretary of the Company on the same date.

With effect from 28 October 2022, Ms. Ng has resigned from her position as the company secretary of the Company, and Mr. Chung Kiu Pan has been appointed as the company secretary of the Company on the same date.

Mr. Chung Kiu Pan, aged 37, has an extensive financial, accounting and company secretarial experience. Mr. Chung graduated with a degree of Bachelor of Business Administration majoring in Professional Accountancy from The Chinese University of Hong Kong. He is currently a member of the Hong Kong Institute of Certified Public Accountants, and a certified public accountant (practising) of Hong Kong Institute of Certified Public Accountants. Mr. Chung is currently the chief financial officer and the company secretary of Chi Ho Development Holdings Limited, a company listed on GEM of the Stock Exchange (stock code: 8423). Since May 2022, Mr. Chung has been the company secretary of hmvod Limited, a company listed on GEM of the Stock Exchange (stock code: 8103).

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 the Audit Committee, the Nomination Committee and the Remuneration Committee with specific written terms of reference. During the period from 1 January 2022 to 31 December 2022 (the "**Reporting Period**"), the Company had complied with all the code provisions (other than code provision C.2.1) of the CG Code.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the Reporting Period, Mr. Ng Chin Hung was the Chairman of the Board and the Chief Executive Officer ("**CEO**") of the Company until 6 April 2022 while he resigned as the Chairman of the Board. In view of Mr. Ng having worked in the freight forwarding, logistics and supply chain industries for more than 37 years, the Board considered that it was in the best interests of the Group to have Mr. Ng taking up both roles for effective management and business development. Further, the Board believed that the balance of power and authority was adequately ensured by the operations of the Board which comprised experienced and high-caliber individuals, with sufficient number of independent non-executive Directors. Accordingly, the Board was of the view that the deviation from the code provision C.2.1 of the CG Code was appropriate or acceptable in such circumstances.

With the separation of the roles of the Chairman of the Board (being served by each of Mr. Po Kam Hi John (from 6 April 2022 to 9 June 2022) and Mr. Chan Kin Chung (since 10 June 2022), each a non-executive Director)) and the CEO of the Company (served by Mr. Ng from 6 April 2022 to 15 October 2022) with effect from 6 April 2022, the Company has complied with code provision C.2.1 of the CG Code. Subsequent to the resignation of Mr. Ng as CEO with effect from 15 October 2022, the position of CEO was vacant.

NON-COMPLIANCE OF THE GEM LISTING RULES

As announced in the Company's announcement dated 17 October 2022, following the resignation of an independent non-executive Director (namely Mr. Kwan Chi Hong) on the same day, the Company fails to meet the requirements of having: (i) at least three independent non-executive directors on the Board under Rule 5.05 of the GEM Listing Rules; (ii) the Audit Committee comprising only non-executive directors with a minimum of three members under Rule 5.28 of the GEM Listing Rules; (iii) the Remuneration Committee comprising a majority of independent non-executive directors under Rule 5.34 of the GEM Listing Rules; and (iv) the Nomination Committee comprising a majority of independent non-executive Directors under Rule 5.36A of the GEM Listing Rules. However, such non-compliance was promptly remedied by the Company following the appointment of Mr. Moy Yee Wo Matthew and Mr. Yu Kwok Fai as independent non-executive Directors with effect from 28 October 2022.

The Directors consider that the Company's corporate governance and any functions of the Board or the Board committees had not been compromised or negatively affected given the very short period of deviation from each of Rule 5.05 of the GEM Listing Rules, Rule 5.28 of the GEM Listing Rules, Rule 5.34 of the GEM Listing Rules and Rule 5.36A of the GEM Listing Rules.

CORPORATE CULTURE

The Group recognises that a good corporate culture is vital to its corporate governance and has gradually developed a pragmatic and prudent corporate culture since its establishment, which has been reflected in the overall operations and management of the Group, in order to facilitate the long-term sustainability of the Group. The Group makes every effort to uphold a high standard of business ethics and prohibition of any forms of bribery and corrupt practices. In order to establish a healthy corporate culture and promote high ethical standards within the Group, the Group has established an anti-corruption policy and an whistle-blowing policy, which set outs, including but not limited to, (i) the types of breaches and conduct issues, and the personnel to which the policies apply; (ii) declaration of conflicting interests mechanisms; (iii) responsibilities of the relevant department(s) of the Group; (iv) consequences for breaching the relevant policies; and (v) whistle-blowing policy, with an aim to encourage our employees to report behaviour that is not in line with the principles of ethics and the Group's policy such as events that are non-compliant with the Group's policy, laws, rules, regulations, general practice of financial reporting and internal control.

CORPORATE GOVERNANCE REPORT

SECURITIES TRANSACTIONS BY DIRECTORS

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

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/her 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/she would be prohibited from dealing by the Model Code as if he/she were a Director.

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 seven Directors including two executive Directors, one non-executive Director and four independent non-executive Directors. The Board's composition during the Reporting Period and up to the date of this annual report is as follows:

	Date of appointment	Date of resignation/ retirement
Executive Directors *(EDs)*		
Mr. Cheng Tak Yuen	4 October 2019	–
Mr. Heung Ka Lok *(Financial Controller)* (appointed on 28 October 2022)	28 October 2022	–
Mr. Ng Chin Hung(i)	4 October 2019	15 October 2022
Mr. Cheng Hiu Tung, Anthony	1 December 2021	10 June 2022
Mr. Tsang Zee Ho Paul(ii)	6 April 2022*	10 June 2022
Non-Executive Directors *(NEDs)*		
Mr. Chan Kin Chung *(Chairman)*(iii)	10 June 2022	–
Mr. Po Kam Hi John(iv)	15 March 2022	10 June 2022
Independent non-executive Directors *(INEDs)*		
Mr. Chan William	10 June 2022	–
Mr. Moy Yee Wo Matthew	28 October 2022	–
Mr. Law Wing Tak Jack	28 October 2022	–
Mr. Yu Kwok Fai	28 October 2022	–
Mr. Lee Kwong Chak, Bonnio	27 September 2019	28 October 2022
Mr. Yuen Ching Bor Stephen	7 May 2021	20 April 2022
Mr. Kwan Chi Hong	7 May 2021	15 October 2022
Mr. Leung Ka Kui, Johnny	10 November 2021	10 June 2022

(i) Mr. Ng Chin Hung ceased to act as Chairman of the Board and Chief Executive Officer on 6 April 2022 and 15 October 2022 respectively).

(ii) Mr. Tsang Zee Ho Paul was appointed as NED on 15 March 2022 and re-designated as ED on 6 April 2022.

(iii) Mr. Chan Kin Chung was appointed as Chairman of the Board on 10 June 2022.

(iv) Mr. Po Kam Hi John was appointed as Chairman of the Board on 6 April 2022 and retired as Chairman of the Board on 10 June 2022.

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.

BOARD INDEPENDENCE

Pursuant to code provision B.1.4 of the CG Code, the Board established mechanism(s) to ensure independent views and input are available to the Board, in particular, (i) independent non-executive Directors are encouraged to actively participate in the Board meetings; (ii) to discourage to re-elect long-serving independent non-executive Directors; (iii) the number of independent non-executive Directors must comply with the requirement under the GEM Listing Rules; and (iv) the independent non-executive Directors shall devote sufficient time to discharge their duties as a Director. Furthermore, the Directors may access external independent professional advice to assist their performance of duties at the expense of the Company. The Board will review the implementation and effectiveness of such mechanism(s) on an annual basis.

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.

Pursuant to code provision E.1.9 of the CG Code, the Company generally should not grant equity-based remuneration (e.g. share options or grants) with performance-related elements to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence. The independent non-executive Directors were not granted equity-based remuneration up to the date of this annual report.

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 GENERAL MEETINGS

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 code provisions C.5.1 and C.5.3 of the CG Code, 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.

CORPORATE GOVERNANCE REPORT

During the Reporting Period, 17 Board meetings were held. The attendance record of each Director at the Board meetings, the annual general meeting of the Company held on 10 June 2022 ("**2022 AGM**") and the extraordinary general meetings of the Company (each an "**EGM**") held on each of 12 July 2022 and 7 November 2022 is set out in the table below:

	Number of attendance/ number of Board meetings during the Directors' term of appointment in FY2022	Attendance of 2022 AGM	Attendance of the EGM held on 12 July 2022	Attendance of the EGM held on 7 November 2022
Executive Directors (EDs)				
Mr. Cheng Tak Yuen	15/16	1/1	1/1	1/1
Mr. Heung Ka Lok *(Financial Controller)* (appointed on 28 October 2022)	2/2	N/A	N/A	1/1
Mr. Cheng Hiu Tung, Anthony (retired on 10 June 2022)	8/9	1/1	N/A	N/A
Mr. Tsang Zee Ho Paul (appointed as NED on 15 March 2022, redesignated as ED on 6 April 2022, and retired on 10 June 2022)	6/7	1/1	N/A	N/A
Mr. Ng Chin Hung (ceased to act as Chairman on 6 April 2022 and resigned on 15 October 2022)	13/13	1/1	1/1	N/A
Non-Executive Directors (NEDs)				
Mr. Chan Kin Chung *(Chairman)* (appointed on 10 June 2022)	7/7	N/A	1/1	1/1
Mr. Po Kam Hi John (appointed as NED on 15 March 2022 and as Chairman on 6 April 2022, and retired on 10 June 2022)	6/7	1/1	N/A	N/A
Independent non-Executive Directors (INEDs)				
Mr. Chan William (appointed on 10 June 2022)	5/5	N/A	1/1	1/1
Mr. Moy Yee Wo Matthew (appointed on 28 October 2022)	2/2	N/A	N/A	1/1
Mr. Law Wing Tak Jack (appointed on 28 October 2022)	1/2	N/A	N/A	0/1
Mr. Yu Kwok Fai (appointed on 28 October 2022)	2/2	N/A	N/A	1/1
Mr. Yuen Ching Bor Stephen (resigned on 20 April 2022)	4/4	N/A	N/A	N/A
Mr. Leung Ka Kui, Johnny (retired on 10 June 2022)	5/9	1/1	N/A	N/A
Mr. Kwan Chi Hong (resigned on 15 October 2022)	11/13	1/1	1/1	N/A
Mr. Lee Kwong Chak, Bonnio (resigned on 28 October 2022)	11/14	1/1	1/1	N/A

To supplement the formal Board meetings, the Chairman held regular meetings with Director(s) to consider issues in both formal and informal settings.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the corporate governance functions as set out in code provision A.2.1 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 code provision D.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 code provision D.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**"). 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.

Under code provision B.2.2 of the CG Code, every Director, including those appointed for a specific term should be subject to retirement by rotation at least once every three years.

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 code provision C.1.4 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:

	Attending seminar(s)/ Reading relevant materials in relation to the business or directors' duties Yes/No
Executive Directors (EDs)	
Mr. Cheng Tak Yuen	Yes
Mr. Heung Ka Lok *(Financial Controller)* (appointed on 28 October 2022)	Yes
Mr. Cheng Hiu Tung, Anthony (retired on 10 June 2022)	Yes
Mr. Tsang Zee Ho Paul (appointed as NED on 15 March 2022, redesignated as ED on 6 April 2022, and retired on 10 June 2022)	Yes
Mr. Ng Chin Hung (ceased to act as Chairman on 6 April 2022 and resigned on 15 October 2022)	Yes
Non-Executive Directors (NEDs)	
Mr. Chan Kin Chung *(Chairman)* (appointed on 10 June 2022)	Yes
Mr. Po Kam Hi John (appointed as NED on 15 March 2022 and Chairman on 6 April 2022, and retired on 10 June 2022)	Yes
Independent Non-Executive Directors (INEDs)	
Mr. Chan William (appointed on 10 June 2022)	Yes
Mr. Moy Yee Wo Matthew (appointed on 28 October 2022)	Yes
Mr. Law Wing Tak Jack (appointed on 28 October 2022)	Yes
Mr. Yu Kwok Fai (appointed on 28 October 2022)	Yes
Mr. Yuen Ching Bor Stephen (resigned on 20 April 2022)	Yes
Mr. Leung Ka Kui, Johnny (retired on 10 June 2022)	Yes
Mr. Kwan Chi Hong (resigned on 15 October 2022)	Yes
Mr. Lee Kwong Chak, Bonnio (resigned on 28 October 2022)	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 three independent non-executive Directors, namely Mr. Moy Yee Wo Matthew, Mr. Chan William, and Mr. Yu Kwok Fai, with Mr. Moy Yee Wo Matthew being the chairman. Written terms of reference in compliance with code provision D.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, 5 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 auditor and reviewed report from the independent external auditor 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 FY2022
Independent non-executive Directors	
Mr. Moy Yee Wo Matthew *(Chairman)* (appointed on 28 October 2022)	1/1
Mr. Chan William (appointed on 10 June 2022)	2/2
Mr. Yu Kwok Fai (appointed on 28 October 2022)	1/1
Mr. Kwan Chi Hong (resigned on 15 October 2022)	4/4
Mr. Lee Kwong Chak, Bonnio (resigned on 28 October 2022)	4/4
Mr. Leung Ka Kui, Johnny (appointed on 20 April 2022 and resigned on 10 June 2022)	2/2
Mr. Yuen Ching Bor Stephen (resigned on 20 April 2022)	1/1

Remuneration Committee

The Company established the Remuneration Committee with written term of reference. As at the date of this annual report, the Remuneration Committee comprises Mr. Yu Kwok Fai, Mr. Chan William and Mr. Moy Yee Wo Matthew, with Mr. Yu Kwok Fai being the chairman. Written terms of reference in compliance with code provision E.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, 5 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 FY2022
Independent non-executive Directors	
Mr. Yu Kwok Fai *(Chairman)* (appointed on 28 October 2022)	N/A
Mr. Chan William (appointed on 10 June 2022)	1/1
Mr. Moy Yee Wo Matthew (appointed on 28 October 2022)	N/A
Mr. Kwan Chi Hong (resigned on 15 October 2022)	4/4
Mr. Lee Kwong Chak, Bonnio (resigned on 28 October 2022)	4/4
Mr. Leung Ka Kui, Johnny *(Chairman)* (resigned on 10 June 2022)	3/4
Mr. Yuen Ching Bor Stephen *(Chairman)* (resigned on 20 April 2022)	3/3

Nomination Committee

The Company has established the Nomination Committee with written terms of reference. As at the date of this annual report, the Nomination Committee comprises Mr. Chan William, Mr. Moy Yee Wo Matthew and Mr. Yu Kwok Fai, with Mr. Chan William being the chairman. Written terms of reference in compliance with code provision B.3.1 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, 3 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 2023 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 FY2022
Independent non-executive Directors	
Mr. Chan William *(Chairman)* (appointed on 10 June 2022)	1/1
Mr. Moy Yee Wo Matthew (appointed on 28 October 2022)	N/A
Mr. Yu Kwok Fai (appointed on 28 October 2022)	N/A
Mr. Kwan Chi Hong *(Chairman)* (resigned on 15 October 2022)	2/2
Mr. Lee Kwong Chak, Bonnio (resigned on 28 October 2022)	2/2
Mr. Leung Ka Kui, Johnny (resigned on 10 June 2022)	1/2
Mr. Yuen Ching Bor Stephen (resigned on 20 April 2022)	2/2

Pursuant to code provision E.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 2022 is set out below:

Remuneration band (HK$)	Number of person(s)
Nil to HK$1,000,000	1
HK$1,000,001 to HK$2,000,000	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.

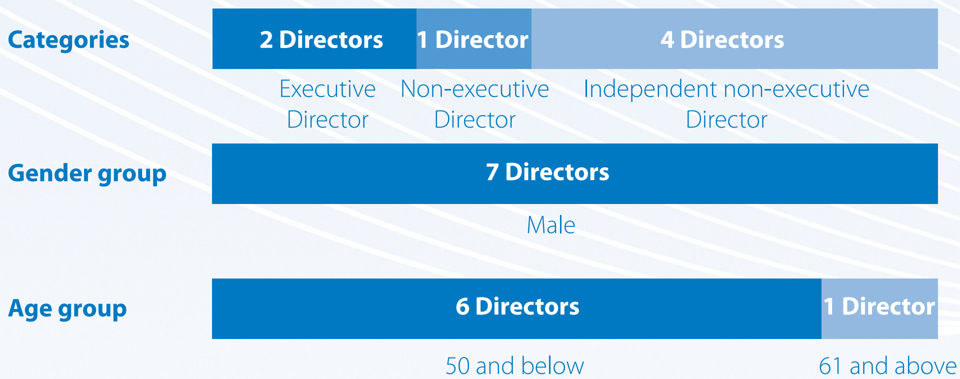
Board Diversity Policy

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 (the "**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.

The Nomination Committee has developed measurable objectives to implement the board diversity policy and would monitor and review the progress in achieving these objectives annually. Expertise and skills of the Directors include freight forwarding and logistics, accounting and corporate finance, etc. The following table shows a breakdown of the diversity information of the Directors:



Note: The information is as of 31 December 2022.

The Board believes that gender diversity is a representing manifestation of board diversity, among all other measurable objectives. Accordingly, the Company shall prepare to appoint at least one director of different gender in the Board no later than 31 December 2024.

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 FY2022, 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. McMillan Woods (Hong Kong) 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. McMillan Woods (Hong Kong) CPA Limited, in respect of their audit and non-audit services for FY2022 was as follows:

	HK$'000
Audit services	850

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

The company secretary of the Company is responsible for advising the Board on corporate governance matters and ensuring that the Board policy and procedures, and the applicable laws, rules and regulations are followed. All Directors have access to the advice and services of the company secretary to ensure that the Board procedures and all applicable laws are followed. Moreover, the company secretary is responsible for facilitating communications among Directors as well as with senior management.

With effect from 6 April 2022, Mr. Chan Heung Wing Anthony has resigned from his position as the company secretary of the Company, and Mr. Tsang Zee Ho Paul was appointed as the company secretary of the Company on the same date.

With effect from 10 June 2022, Mr. Tsang has resigned from his position as the company secretary of the Company, and Ms. Ng Ting On Polly has been appointed as the company secretary of the Company on the same date.

With effect from 28 October 2022, Ms. Ng has resigned from her position as the company secretary of the Company, and Mr. Chung Kiu Pan has been appointed as the company secretary of the Company on the same date.

During the Reporting Period, each of Mr. Chan, Mr. Tsang, Ms. Ng and Mr. Chung has undertaken more than 15 hours of relevant professional training in compliance with Rule 5.15 of the GEM Listing Rules.

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 17/F, Far East Finance Centre, 16 Harcourt Road, 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 17/F, Far East Finance Centre, 16 Harcourt Road, 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.

CORPORATE GOVERNANCE REPORT

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.

Policy on Payment of Dividends

The Company adopted a policy on payment of dividends (the "**Dividend Policy**") on 9 November 2018 in compliance with code provision F.1.1 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 of association and articles of association during FY2022. The memorandum of association and articles of association of the Company have been published at the websites of the Stock Exchange and the Company.

COMPLIANCE OFFICER

Mr. Cheng Tak Yuen was appointed as the compliance officer of the Company on 15 October 2022 and Mr. Ng Chin Hung was resigned as the compliance officer of the Company on the same date. 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 FY2022.

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 (the "**Listing Date**").

In the preparation for its listing on GEM (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 Company's prospectus dated 30 September 2016 (the "**Prospectus**").

PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 35 to the consolidated financial statements. There were no significant changes in the nature of the Group's principal activities during FY2022.

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.

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 5 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 FY2022, 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 to be issued by the Company in accordance with the GEM Listing Rules.

REPORT OF THE DIRECTORS

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 FY2022, 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 FY2022 are set out below:

Strategy	KPIs
Maximise value for the Shareholders	Gross profit margin = 14.3% (2021: 13.5%)
	Return on equity = 5.6% (2021: 23.1%)
Improve the Group's liquidity	Net cash generated from operating activities = HK$36.7 million (2021: HK$57.5 million)
	Cash and cash equivalents = HK$8.4 million (2021: HK$14.9 million)

RESULTS

The results of the Group for FY2022 are set out in the consolidated statement of profit or loss and other comprehensive income on page 45.

DIVIDEND

No dividend was paid or proposed for shareholders of the Company for FY2022 (2021: Nil), nor has any dividend been proposed since the end of the reporting period.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting (the "**2023 AGM**") of the Company is scheduled to be held on Wednesday, 21 June 2023. A notice convening the 2023 AGM will be issued and despatched to the Shareholders according to the Articles.

The register of members of the Company will be closed from Friday, 16 June 2023 to Wednesday, 21 June 2023 (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 2023 AGM. In order to be eligible to attend and vote at the 2023 AGM, all transfer forms accompanied by the relevant share certificate(s) should be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Thursday, 15 June 2023.

REPORT OF THE DIRECTORS

RESERVES

Details of movements in the reserves of the Group during FY2022 are set out in the consolidated statement of changes in equity on page 48 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 114.

MAJOR CUSTOMERS AND SUPPLIERS

The Group's largest customer contributed 16.1% (2021: 13.8%) of the total revenue for FY2022 while the Group's five largest customers accounted for 45.7% (2021: 41.6%) of the total revenue for FY2022.

Since the Group has a very wide base of suppliers, the aggregate purchase attributable to the Group's five largest suppliers were 39.1% (2021: 39.7%) of the Group's total direct costs for FY2022 with the largest supplier accounted for 15.4% (2021: 12.2%) of the total direct costs.

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 Year, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Throughout FY2022 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 31 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 2022 under the Share Option Scheme are set in note 36 to the consolidated financial statements.

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.

As at 31 December 2022 and the date of this report:

— the maximum number of Shares that may be issued by the Company upon exercise of all outstanding Options already granted under the Share Option Scheme was 3,000,000, representing 0.5% of the total number of Shares in issue of the Company; and

— the maximum number of Options that were available to be granted under the Share Option Scheme was 49,500,000 representing approximately 8.25% of the total number of Shares in issue of the Company.

The Company is aware that amendments were made to Chapter 23 of the GEM Listing Rules, which has come into effect on 1 January 2023, which include, among others, revising the scope of eligible participants of share option schemes and setting out the minimum vesting period requirements. The Company will only grant the share options in compliance with the amended Chapter 23 of the GEM Listing Rules and pursuant to the transitional arrangements for share schemes existing as at 1 January 2023 as specified by the Stock Exchange. Going forward, the Company will also consider to amend the Share Option Scheme so as to comply with the new requirements under Chapter 23 of the GEM Listing Rules, in any event not later than the refreshment or expiry of the scheme mandate; or to adopt a new share option scheme that comply with the requirements under the amended Chapter 23 of the GEM Listing Rules.

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 2022 amounted to approximately HK$50.8 million.

DIRECTORS

During FY2022 and up to the date of this annual report, the Board's composition is as follows:

Executive Directors (EDs)

Mr. Cheng Tak Yuen
Mr. Heung Ka Lok *(Financial Controller)* (appointed on 28 October 2022)
Mr. Cheng Hiu Tung, Anthony (retired on 10 June 2022)
Mr. Tsang Zee Ho Paul (appointed as NED on 15 March 2022, redesignated as ED on 6 April 2022, and retired on 10 June 2022)
Mr. Ng Chin Hung (ceased to act as Chairman on 6 April 2022 and resigned on 15 October 2022)

Non-Executive Directors (NEDs)

Mr. Chan Kin Chung *(Chairman)* (appointed on 10 June 2022)
Mr. Po Kam Hi John (appointed as NED on 15 March 2022 and Chairman on 6 April 2022, and retired on 10 June 2022)

Independent Non-Executive Directors (INEDs)

Mr. Chan William (appointed on 10 June 2022)
Mr. Law Wing Tak Jack (appointed on 28 October 2022)
Mr. Moy Yee Wo Matthew (appointed on 28 October 2022)
Mr. Yu Kwok Fai (appointed on 28 October 2022)
Mr. Lee Kwong Chak, Bonnio (resigned on 28 October 2022)
Mr. Yuen Ching Bor Stephen (resigned on 20 April 2022)
Mr. Kwan Chi Hong (resigned on 15 October 2022)
Mr. Leung Ka Kui, Johnny (retired on 10 June 2022)

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. Heung Ka Lok, Mr. Moy Yee Wo Matthew, Mr. Law Wing Tak Jack, and Mr. Yu Kwok Fai will retire and, being eligible, offer themselves for re-election at the 2023 AGM.

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 2022.

None of the Directors proposed for re-election at the 2023 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 AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**") (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interests in the Company

Long position in the underlying shares or 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 2022 were as follows:

Name of Director	Date of grant	Vesting date	Exercise period	Number of underlying Shares subject to the outstanding Options	Exercise price per Share (HK$)	Approximate percentage of shareholding (Note)
Mr. Cheng Tak Yuen	24 June 2020	24/06/2021	24/06/2021–23/06/2030	750,000	0.2066	0.25%
		24/06/2022	24/06/2022–23/06/2030	750,000		

Note: The percentage of shareholding is calculated on the basis of 600,000,000 Shares in issue as at 31 December 2022.

Save as disclosed above, as at 31 December 2022, none of the Directors nor the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which are taken or deemed to have under such provisions of the SFO); or (ii) which were required to be recorded in the register required to be kept by the Company under Section 352 of the SFO; or (iii) which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2022, so far as the Directors are aware, the following persons (other than the Directors and the chief executive of the Company) had or deemed or taken to have an interest and/or short position in the Shares, the underlying Shares or the debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

Long position in the Shares

Name of shareholder	Capacity/Nature of interest	Number of Shares held	Approximate percentage of shareholding (Note 3)
Million Venture Holdings Limited ("**Million Venture**")	Beneficial owner	156,000,000	26%
Ms. Tai Choi Wan, Noel	Interest in a controlled corporation *(Note 1)*	156,000,000	26%
Mr. Cheng Hon Yat	Interest of spouse *(Note 2)*	156,000,000	26%
Mr. Chan Chun Shing, Otto	Beneficial owner	60,000,000	10%

Notes:

1. These Shares are held by Million Venture, which is wholly-owned by Ms. Tai Choi Wan, Noel ("**Ms. Tai**"). By virtue of the SFO, Ms. Tai is deemed to be interested in all the Shares held by Million Venture.

2. Mr. Cheng Hon Yat is the spouse of Ms. Tai and is deemed, or taken to be, interested in all the Shares in which Ms. Tai is interested under the SFO.

3. The percentage of shareholding is calculated on the basis of 600,000,000 Shares in issue as at 31 December 2022 and does not take into account any Shares which may fall to be allotted and issued upon exercise of any subscription rights attaching to any share options granted by the Company.

Save as disclosed above, as at 31 December 2022, the Company has not been notified of any other persons (other than the Directors or the chief executive of the Company) or entities who had or deemed or taken to have an interest or a short position in the Shares, underlying Shares or debentures of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were required to be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

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.

REPORT OF THE DIRECTORS

COMPETING INTEREST

For FY2022, 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.

MANAGEMENT CONTRACTS

During FY2022, 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 FY2022 and FY2021 are set out in note 34 to the consolidated financial statements.

The Directors consider that these significant related party transactions disclosed in note 34 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. Chan William, Mr. Moy Yee Wo Matthew and Mr. Yu Kwok Fai, with Mr. Moy Yee Wo Matthew being the chairman. The Audit Committee has reviewed the audited consolidated financial statements of the Group for FY2022 and is of the view that the preparation of such financial 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 FY2022 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 12 to the consolidated financial statements respectively.

REPORT OF THE DIRECTORS

CORPORATE GOVERNANCE

The Company had complied with all code provisions (other than code provision C.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 15 to 29.

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

At an extraordinary general meeting of the Company held on 10 June 2019, (i) the removal of Deloitte Touche Tohmatsu as the auditor of the Company was approved by the Shareholders; and (ii) the Shareholders resolved to appoint ZHONGHUI ANDA CPA Limited as the auditors of the Company in place of Deloitte Touche Tohmatsu.

On 23 December 2020, the Company has appointed McM (HK) CPA Limited ("**McM**") as the auditor of the Company with effect from 23 December 2020 to fill the casual vacancy following the resignation of Messrs. ZHONGHUI ANDA CPA Limited.

On 17 January 2023, Messrs. McMillan Woods (Hong Kong) CPA Limited ("**McMillan Woods**") was appointed as the auditor of the Company with effect from 17 January 2023 following the resignation of McM as auditor of the Company with effect from 17 January 2023, and to hold office until the conclusion of the 2023 AGM.

The consolidated financial statements of the Group for FY2022 have been audited by McMillan Woods, who will retire and, being eligible, offer themselves for re-appointment at the 2023 AGM. A resolution for their reappointment as auditors of the Company will be proposed at the 2023 AGM. A resolution to re-appoint McMillan Woods and to authorise the Directors to fix its remuneration will be proposed at the 2023 AGM. Save as the above, there has been no other change of auditor of the Company in the preceding three years.

EVENTS AFTER THE REPORTING PERIOD

On 17 January 2023, McMillan Woods was appointed as the auditor of the Company following the resignation of McM with effect from 17 January 2023. For further details, please refer to the paragraph headed "Auditor" above and the announcement of the Company dated 17 January 2023.

Save as disclosed above, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2022 and up to the date of this report.

On behalf of the Board
Chan Kin Chung
Chairman

Hong Kong, 22 March 2023

INDEPENDENT AUDITOR'S REPORT

McMillanWoods
Professionalism at the forefront

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 45 to 113, which comprise the consolidated statement of financial position as at 31 December 2022, 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 2022, 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 2022, 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.

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.

KEY AUDIT MATTERS (Continued)

The key audit matter we identified is impairment of trade receivables.

Trade receivables

Refer to notes 4 and 20 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, net of impairment, of approximately HK$125,942,000 as at 31 December 2022 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;

— Testing the integrity of information used by management to develop the provision matrix, including trade receivables ageing analysis as at 31 December 2022, on a sample basis, by comparing individual items in the analysis with the relevant sales agreements, sales invoices, credit terms, settlement records and other supporting documents;

— With the assistance of our auditor's expert, challenging management's basis and judgement in determining credit loss allowance on trade receivables as at 31 December 2022, including the reasonableness of management's grouping of the remaining trade debtors into different categories in the provision matrix, and the basis of estimated loss rates applied in each category in the provision matrix (with reference to historical default rates and forward-looking information);

— 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 2021 were audited by another auditor who expressed an unmodified opinion on these statements on 22 April 2022.

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.

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. This report is made 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.

McMillan Woods (Hong Kong) CPA Limited
Certified Public Accountants

Ngan Hing Hon
Audit Engagement Director
Practising Certificate Number P05294

24/F., Siu On Centre,
188 Lockhart Road, Wan Chai
Hong Kong, 22 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	6	**512,672**	568,962
Cost of sales		**(439,184)**	(492,238)
Gross profit		**73,488**	76,724
Interest income		**2,967**	2,900
Other income	7	**4,879**	621
Other gains and losses, net	8	**1,841**	6,492
Administrative and selling expenses		**(69,216)**	(58,515)
Impairment loss on trade receivables		**(1,575)**	(2,175)
Share-based payment expenses		**(144)**	(619)
Profit from operations		**12,240**	25,428
Finance costs	9	**(5,827)**	(5,377)
Share of profit of a joint venture		**713**	192
Profit before tax	10	**7,126**	20,243
Income tax	11	**(1,783)**	(2,130)
Profit for the year		**5,343**	18,113
Other comprehensive income/(expense), net of tax:			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operations		**193**	(206)
Total comprehensive income for the year		**5,536**	17,907
Profit for the year attributable to:			
Owners of the Company		**4,452**	17,338
Non-controlling interests		**891**	775
		5,343	18,113
Total comprehensive income for the year attributable to:			
Owners of the Company		**4,645**	17,132
Non-controlling interests		**891**	775
		5,536	17,907
Earnings per share			
Basic (HK cents)	14	**0.74**	2.89
Diluted (HK cents)	14	**0.74**	2.88

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Non-current assets			
Property, plant and equipment	15(a)	**9,143**	11,389
Computer software	15(b)	**267**	210
Deposits placed in life insurance policies	16	**5,352**	114,650
Right-of-use assets	17	**46,570**	47,834
Interest in an associate	18	**–**	–
Interest in a joint venture	19	**1,529**	816
Deferred tax assets	30	**171**	–
Goodwill		**61**	61
Rental and other deposits	20	**1,275**	3,306
		64,368	178,266
Current assets			
Inventories	21	**–**	370
Trade receivables	20	**125,942**	129,761
Other receivables, deposits and prepayments	20	**17,911**	8,950
Deposits placed in a life insurance policies	16	**115,037**	–
Tax recoverable		**–**	1,392
Pledged bank deposits	22	**17,446**	17,438
Bank balances and cash	22	**10,131**	14,913
		286,467	172,824
Current liabilities			
Trade payables	23	**55,264**	61,015
Other payables and accruals	23	**31,205**	28,906
Loan from a substantial shareholder	24	**10,000**	–
Due to non-controlling interests	25	**656**	656
Contract liabilities	26	**1,206**	941
Bank borrowings and overdraft	27	**113,748**	133,337
Other borrowing	28	**7,070**	–
Lease liabilities	29	**30,488**	26,536
Tax payable		**2,626**	2,337
		252,263	253,728
Net current assets/(liabilities)		**34,204**	(80,904)
Total assets less current liabilities		**98,572**	97,362

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Notes	As at 31 December 2022 HK$'000	As at 31 December 2021 HK$'000
Non-current liabilities			
Lease liabilities	29	**16,103**	20,426
Deferred tax liabilities	30	**633**	780
		16,736	21,206
NET ASSETS		**81,836**	76,156
Capital and reserves			
Share capital	31	**6,000**	6,000
Reserves	33	**73,059**	68,270
Equity attributable to owners of the Company		**79,059**	74,270
Non-controlling interests		**2,777**	1,886
TOTAL EQUITY		**81,836**	76,156

The consolidated financial statements on pages 45 to 113 were approved and authorised for issue by the Board of Directors on 22 March 2023 and are signed on its behalf by:

Cheng Tak Yuen
Director

Heung Ka Lok
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	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$'000 (Note iii)	Share option reserve HK$'000 (Note iv)	(Accumulated losses)/ retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2021	6,000	47,755	17,659	4,658	(421)	493	(19,625)	56,519	1,111	57,630
Profit and total comprehensive income/(expense) for the year	–	–	–	–	(206)	–	17,338	17,132	775	17,907
Equity-settled share option arrangements (note 36)	–	–	–	–	–	619	–	619	–	619
At 31 December 2021	6,000	47,755	17,659	4,658	(627)	1,112	(2,287)	74,270	1,886	76,156
At 1 January 2022	**6,000**	**47,755**	**17,659**	**4,658**	**(627)**	**1,112**	**(2,287)**	**74,270**	**1,886**	**76,156**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**–**	**193**	**–**	**4,452**	**4,645**	**891**	**5,536**
Equity-settled share option arrangements (note 36)	**–**	**–**	**–**	**–**	**–**	**144**	**–**	**144**	**–**	**144**
Share option lapsed	**–**	**–**	**–**	**–**	**–**	**(894)**	**894**	**–**	**–**	**–**
At 31 December 2022	**6,000**	**47,755**	**17,659**	**4,658**	**(434)**	**362**	**3,059**	**79,059**	**2,777**	**81,836**

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 former controlling shareholder, Mr. Cheng Hon Yat ("**Mr. Cheng**") before the transfer of such business to Janco Global Logistics Limited, a wholly owned subsidiary of the Group, as they legally belonged to JFX Limited and are non-distributable profits of the Group; and (ii) the difference between the nominal value of the aggregate share capital of the subsidiaries acquired by the Company upon the group reorganisation completed on 29 December 2015 and the nominal value of the Company's shares issued.

(ii) Other reserve represented an amount due to Mr. Cheng, being the former 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) The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 3 to the consolidated financial statements.

(iv) The share option reserve represents the fair value of the actual or estimated number of unexercised share options granted to directors/employees of the Group recognised in accordance with the accounting policy adopted for equity-settled share-based payments in note 3 to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from operating activities			
Profit before tax		**7,126**	20,243
Adjustments for:			
Amortisation of computer software		**149**	85
Depreciation of property, plant and equipment		**4,127**	3,661
Depreciation of right of use assets		**35,169**	28,512
Share of profit of a joint venture		**(713)**	(192)
Finance costs		**5,827**	5,377
COVID-19-related rental concessions		**(592)**	–
Gain on early termination of lease		**(39)**	–
Gain on disposal of right-of-use assets		**(427)**	(123)
Gain on change of cash flow estimates of deposits placed in life insurance policies		**(2,786)**	–
Loss on disposal of property, plant and equipment		**–**	132
Share-based payment expenses		**144**	619
Impairment loss on trade receivables		**1,575**	2,175
Impairment loss on inventories		**350**	40
Interest income		**(2,967)**	(2,900)
Operating profit before working capital changes		**46,943**	57,629
Change in inventories		**20**	35
Change in trade receivables		**2,244**	(17,136)
Change in rental deposits		**(569)**	2,542
Change in other receivables, deposit and prepayments		**(6,261)**	(1,494)
Change in trade payables		**(5,751)**	12,357
Change in other payables and accruals		**2,145**	6,992
Change in contract liabilities		**265**	548
Cash generated from operations		**39,036**	61,473
Lease interest paid		**(1,944)**	(2,009)
Income tax paid		**(420)**	(1,976)
Net cash generated from operating activities		**36,672**	57,488
Cash flows from investing activities			
Bank interest received		**14**	19
Purchase of property, plant and equipment and computer software		**(2,187)**	(6,150)
Purchase of right-of-use assets		**(126)**	–
Proceeds from disposal of property, plant and equipment		**–**	33
Proceeds from disposal of right-of-use assets		**700**	724
Placement of pledged bank deposits		**(8)**	(16)
Net cash used in investing activities		**(1,607)**	(5,390)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Cash flows from financing activities			
New bank borrowings raised		**15,100**	70,162
Repayment of bank borrowings		**(36,437)**	(80,477)
Other borrowing raised		**21,254**	–
Repayment of other borrowing		**(14,184)**	–
Interest paid		**(3,729)**	(3,429)
Repayment of lease liabilities		**(33,792)**	(28,214)
Loan from a substantial shareholder		**10,000**	–
Repayment to the controlling shareholder		**–**	(3,246)
Net cash used in financing activities		**(41,788)**	(45,204)
Net (decrease)/increase in cash and cash equivalents		**(6,723)**	6,894
Effect of foreign exchange rate changes		**193**	(206)
Cash and cash equivalents at beginning of year		**14,913**	8,225
Cash and cash equivalents at end of year		**8,383**	14,913
Analysis of cash and cash equivalents			
Bank balances and cash	22	**10,131**	14,913
Bank overdraft	27	**(1,748)**	–
		8,383	14,913

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 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.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in note 35.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on GEM of the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). Significant accounting policies adopted by the Group are disclosed in note 3.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. The paragraphs below provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16 (March 2021)	Covid-19 Related Rent Concessions beyond 30 June 2021
Annual Improvements Project	Annual Improvements to HKFRS Standards 2018–2020
Amendments to Accounting Guideline 5	Merger Accounting for Common Control Combinations

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

Except for Amendments to HKFRS 16 (March 2021) below, the Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements. The impact from the adoption of Amendments to HKFRS 16 (March 2021) are as below:

In the prior year, the Group adopted Amendment to HKFRS 16 (May 2020) — Covid-19 Related Rent Concession for a rent concession related to Covid-19, resulting in a reduction in lease payments due on or before 30 June 2021. In 2022, the Group has adopted the Amendment to HKFRS 16 (March 2021) — Covid-19 Related Rent Concessions beyond 30 June 2021 to extend the date of applicable lease payments from 30 June 2021 to 30 June 2022 retrospectively. Rent concessions totalling HK$592,000 for the period have been accounted for as negative variable lease payments and recognised in other income in the consolidated statement of profit or loss for the year ended 31 December 2022, with a corresponding further adjustment to the lease liabilities.

New and amendments to HKFRSs issued but not yet effective

The Group has not applied any new standard, amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning 1 January 2022. The new standard, amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 1 and HKFRS Practice Statement 2 — Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8 — Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12 — Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to HKFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined by the HKICPA
Hong Kong Interpretation 5 (2020) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2024

The Group is in the process of making an assessment of what the impact of these amendments and new standards is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

3. 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 GEM of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis or fair values at the end of each reporting period, 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.

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 4 to the consolidated financial statements.

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations and goodwill (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

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

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%

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

Definition of a lease

At inception of a contract, the Group assesses whether the contract is, or contains, a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. Lease payments to be made under reasonably certain extension options are also included in the measurement of the lease liability. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method.

Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received

- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by group companies, which does not have recent third-party financing, and

- makes adjustments specific to the lease, eg term, country, currency and security.

If a readily observable amortising loan rate is available to the individual lessee (through recent financing or market data) which has a similar payment profile to the lease, then the group entities use that rate as a starting point to determine the incremental borrowing rate.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, if any.

The principal annual rates are as follows:

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

When the Group obtains ownership of the underlying leased assets at the end of the lease term, upon exercising purchase options, the cost of the relevant right-of-use assets and the related accumulated depreciation and impairment loss are transferred to property, plant and equipment/the carrying amount of the relevant right-of-use asset is transferred to property, plant and equipment.

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16. In such cases, the Group took advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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.

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.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

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.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial assets (Continued)

Debt investments

Debt investments held by the Group are classified into one of the following measurement categories:

— amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest ("**SPPI**"). Interest income from the investment is calculated using the effective interest method.

— FVTOCI — recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

— FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income.

Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that 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 for the purpose of the consolidated cash flow statement. Cash and cash equivalents are assessed for expected credit losses ("**ECL**").

Non-current assets held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. The Group must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets or disposal groups classified as held for sale are measured at the lower of the asset's or disposal group's previous carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statement of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statement of financial position.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants relating to income are deferred and recognised in profit or loss over the period to match them with the costs they are intended to compensate.

Government grants that become 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.

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 October 2016 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 36 to the financial statements.

The Group issues equity-settled share-based payments to certain directors and employees

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Equity-settled share-based payments to directors and employees are measured at the fair value (excluding the effect of non-market based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non-market based vesting conditions.

The fair value is measured at the date the Group receives the services and is recognised as an expense.

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.

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.

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.

3. 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, 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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the cash-generating unit.

Value in use is the present value of the estimated future cash flows of the asset/cash-generating unit. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/cash-generating unit whose impairment is being measured.

Impairment losses for cash-generating units are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the cash-generating unit. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade and other receivables, contract assets, loans to employees, pledged bank deposits and bank and cash balances, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, contract assets and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk for a particular financial instrument;

— existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;

— an actual or expected significant deterioration in the operating results of the debtor;

— significant increases in credit risk on other financial instruments of the same debtor;

— an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

(i) the financial instrument has a low risk of default,

(ii) the debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and

(iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

The Group considers a financial asset to have low credit risk when the asset has external credit rating of "investment grade" in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of "performing". Performing means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

— when there is a breach of financial covenants by the counterparty; or

— information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

— significant financial difficulty of the issuer or the counterparty;

— a breach of contract, such as a default or past due event;

— the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or

— it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or

— the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

For financial assets, the expected credit loss is estimated 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 original effective interest rate. For a lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the lease receivable in accordance with HKFRS 16.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

4. 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) Joint control assessment

The Group holds 70% of the issued share capital of Janco E-commerce Solutions (USA) Inc ("**JEC USA**") pursuant to the agreement between shareholders of JEC USA, the decision about the relevant activities of JEC USA should required unanimous approval by the Group and the other two shareholders of JEC USA. The directors of the Company have determined that the Group has joint control over JEC USA.

(b) Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group as a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group as an agent). The Group is a principal if it controls the specified good or services before that good or services is transferred to a customer.

The Group provides management services of the cold storage business to its customers. Revenue from provision of this service is recognised over a period of time under a straight-line method and amortised over the period of the contract. The Group recognises revenue in the amount of any fee or commission on a net basis as an agent.

(c) Business model assessment

Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Group determines the business model at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including the risks that affect the liquidity perspective and how these are managed. The Group monitors financial assets measured at amortised cost that are derecognised prior to their maturity as disclosed in note 16 to the consolidated financial statements to understand the reason for their surrender and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets. No such changes were required during the periods presented.

4. 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.

Impairment loss on trade receivables

The Group uses provision matrix to calculate ECL for trade receivables. The provision rates are based on debtor's aging as groupings of various debtors with common credit risk characteristic. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable, and that is available without undue cost or effort. At every reporting date, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

As at 31 December 2022, the carrying amount of trade receivables is approximately HK$125,942,000 (2021: HK$129,761,000), net of allowance for doubtful debts of approximately HK$17,770,000 (2021: HK$16,195,000) (note 20).

5. 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**") and Euro dollar ("**EUR**") 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**	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
US$	**51,917**	52,038	**(25,751)**	(27,777)
RMB	**2,747**	7,345	**(2,067)**	(1,461)
EUR	**111**	178	**(53)**	(213)

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.

The following table details the Group's sensitivity to a 5% increase or decrease in the exchange rate of HK$ against RMB and EUR. 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 an increase/a decrease in post-tax profit for years ended 31 December 2022 and 31 December 2021 where RMB and EUR strengthen 5% against HK$. For a 5% weakening of RMB and EUR against HK$, there would be an equal and opposite impact on the post-tax profit.

	Increase (decrease) in post-tax profit	
	2022	2021
	HK$'000	HK$'000
RMB impact	**28**	246
EUR impact	**2**	(1)

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are banks and financial institutions with high credit-rating assigned by international credit-rating agencies, for which the Group considers to have low credit risk.

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

The Group's maximum exposure to credit risk in the event that counterparties fail to perform their obligations at the end of the reporting period 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.

5. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit risk (Continued)

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within 15 to 90 days from the date of billing to its freight forwarding customers, and 30 days from the date of billing to its logistics and warehousing customers and E-commerce customers. Normally, the Group does not obtain collateral from customers.

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

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

Expected loss rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables. It considers available reasonable and supportive forwarding-looking information. The further details of the Group's exposure to credit risk and ECLs for trade receivables as at 31 December 2022 and 2021 are given in note 20 to the financial statements.

Other receivables

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 consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to the Group's financial assets.

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.

For other receivables including deposits, the management makes periodic individual assessment on the recoverability of deposit and other receivables based on historical settlement records, the likelihood of recovery, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12-month ECL. For the years ended 31 December 2022 and 2021, the Group assessed the ECL for other receivables and deposits are insignificant and thus no loss allowance is recognised.

5. 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 year HK$'000	Between 1 and 2 years HK$'000	Between 2 to 5 years HK$'000	Carrying amount HK$'000
At 31 December 2022				
Trade payables	**55,264**	**–**	**–**	**55,264**
Other payables and accruals	**31,205**	**–**	**–**	**31,205**
Loan from a substantial shareholder	**10,000**	**–**	**–**	**10,000**
Due to non-controlling interests	**656**	**–**	**–**	**656**
Bank borrowings and overdraft	**113,748**	**–**	**–**	**113,748**
Other borrowing	**7,070**	**–**	**–**	**7,070**
Lease liabilities	**31,787**	**11,049**	**5,617**	**46,591**
	249,730	**11,049**	**5,617**	**264,534**
At 31 December 2021				
Trade payables	61,015	–	–	61,015
Other payables and accruals	28,906	–	–	28,906
Due to non-controlling interests	656	–	–	656
Bank borrowings	133,337	–	–	133,337
Lease liabilities	27,855	19,205	1,738	46,962
	251,769	19,205	1,738	270,876

5. FINANCIAL RISK MANAGEMENT (Continued)

(d) Interest rate risk

The Group's deposit placed in life insurance policies, loan from a substantial shareholder and other borrowing bear interests at fixed interest rates and therefore are subject to fair value interest rate risks.

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

At 31 December 2022, if interest rates at that date had been 50 basis points lower with all other variables held constant, consolidated post-tax profit for the year would have been HK$475,000 higher (2021: HK$557,000 higher), arising mainly as a result of lower interest expense on bank borrowings and overdraft. 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$475,000 lower (2021: HK$557,000 lower), arising mainly as a result of higher interest expense on bank borrowings and overdraft.

(e) Categories of financial instruments

	2022 HK$'000	2021 HK$'000
Financial assets:		
Financial assets at amortised cost (including cash and cash equivalents)	**291,149**	287,431
Financial liabilities:		
Financial liabilities at amortised cost	**217,943**	223,914

(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.

6. 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 ocean freight forwarding services

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

(iii) E-Commerce — provision of fulfillment services and trading of consumables through online platform

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.

6. 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		Logistics and			
	Air Freight HK$'000	Ocean Freight HK$'000	warehousing HK$'000	E-Commerce HK$'000	Elimination HK$'000	Total HK$'000
For the year ended 31 December 2022						
Segment revenue						
External sales	**120,291**	**93,119**	**158,818**	**140,444**	**–**	**512,672**
Inter-segment sales	**2,465**	**1,453**	**75,273**	**28,688**	**(107,879)**	**–**
	122,756	**94,572**	**234,091**	**169,132**	**(107,879)**	**512,672**
Segment results	**12,666**	**14,967**	**36,818**	**9,037**	**–**	**73,488**
Interest income						**2,967**
Other income						**4,879**
Other gains and losses, net						**1,841**
Administrative and selling expenses						**(69,216)**
Impairment loss on trade receivables						**(1,575)**
Share-based payment expenses						**(144)**
Share of profit of a joint venture						**713**
Finance costs						**(5,827)**
Profit before tax						**7,126**
For the year ended 31 December 2021						
Segment revenue						
External sales	184,756	109,746	95,767	178,693	–	568,962
Inter-segment sales	56,406	2,571	44,293	55,081	(158,351)	–
	241,162	112,317	140,060	233,774	(158,351)	568,962
Segment results	20,834	10,648	25,433	19,809	–	76,724
Interest income						2,900
Other income						621
Other gains and losses, net						6,492
Administrative and selling expenses						(58,515)
Impairment loss on trade receivables						(2,175)
Share-based payment expenses						(619)
Share of profit of a joint venture						192
Finance costs						(5,377)
Profit before tax						20,243

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

6. REVENUE AND SEGMENT INFORMATION (Continued)

Segment revenue and results (Continued)

Timing of revenue recognition

	Freight forwarding Air Freight HK$'000	Ocean Freight HK$'000	Logistics and warehousing HK$'000	E-Commerce HK$'000	Total HK$'000
For the year ended 31 December 2022					
Contract with customers within the scope of HKFRS 15					
At a point in time	**–**	**–**	**–**	**70**	**70**
Over time	**120,291**	**93,119**	**158,818**	**140,374**	**512,602**
For the year ended 31 December 2021					
Contract with customers within the scope of HKFRS 15					
At a point in time	–	–	–	307	307
Over time	184,756	109,746	95,767	178,386	568,655

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:

	2022 HK$'000	2021 HK$'000
Customer A — revenue generated in E-Commerce fulfillment segment	**82,401**	35,747*
Customer B — revenue generated in logistics segment	**59,103**	–*
Customer C — revenue generated in air freight, ocean freight and logistics segment	**1,183***	73,946
Customer D — revenue generated in E-Commerce fulfillment segment	**35,873***	78,286

* Revenue from the customer did not exceed 10% of total revenue in the respective year.

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

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

6. REVENUE AND SEGMENT INFORMATION (Continued)

E-commerce — trading of consumables through 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.

Trade receivables are due within 15 to 90 days from the date of billing to its freight forwarding customers, and 30 days from the date of billing to its logistic and warehousing customers and E-commerce customers.

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.

7. OTHER INCOME

	2022 HK$'000	2021 HK$'000
Government grants (Note)	**4,214**	–
COVID-19-related rent concession	**592**	–
Sundry income	**73**	621
	4,879	621

Note: During the year ended 31 December 2022, the Group recognised government grants of HK$4,214,000 (2021: 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.

8. OTHER GAINS AND LOSSES, NET

	2022 HK$'000	2021 HK$'000
Net exchange difference	**(1,061)**	341
Gain on disposal of right-of-use assets	**427**	123
Gain on early termination of leased properties	**39**	
Impairment loss on inventories	**(350)**	–
Gain on change of cash flow estimates of deposits placed in life insurance policies (note 16)	**2,786**	–
Loss on disposal of property, plant and equipment	**–**	(132)
Subsidy from non-government institution	**–**	6,160
	1,841	6,492

9. FINANCE COSTS

	2022 HK$'000	2021 HK$'000
Interest expenses on:		
Bank borrowings and overdraft	**3,304**	3,368
Other borrowing	**475**	–
Loan from a substantial shareholder	**104**	–
Lease liabilities (note 29)	**1,944**	2,009
	5,827	5,377

10. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging the following:

	2022 HK$'000	2021 HK$'000
Auditor's remuneration	**850**	798
Amortisation of computer software	**149**	85
Depreciation of property, plant and equipment	**4,127**	3,661
Depreciation of right-of-use assets	**35,169**	28,512
Cost of inventories sold	**20**	285
Directors' remuneration (note 12)	**6,862**	6,591
Other staff costs		
Salaries, bonus and allowances	**51,457**	66,701
Retirement benefits scheme contributions	**2,144**	2,149
Share option expenses	**78**	354
Total staff costs	**60,541**	75,795

11. INCOME TAX

	2022 HK$'000	2021 HK$'000
Hong Kong Profits Tax		
— current tax	**2,702**	2,013
— (Over)/under-provision for the previous year	**(601)**	24
	2,101	2,037
Deferred tax (note 30)	**(318)**	93
	1,783	2,130

Under the two-tiered Profits Tax regime, the first HK$2,000,000 of profits of the qualifying group entity established in Hong Kong will be taxed at 8.25%, and profits above that amount will be subject to the tax rate of 16.5%. The profits of the group entities not qualifying for the two-tiered Profit Tax rate regime will continue to be taxed at a rate of 16.5%.

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%. No provision for taxation in the PRC has been made as all the Group's income arises in Hong Kong.

Tax charge on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

The reconciliation between the income tax and the product of profit before tax multiplied by the Hong Kong Profits Tax rate is as follows:

	2022 HK$'000	2021 HK$'000
Profit before tax	**7,126**	20,243
Tax at Hong Kong Profits Tax rate of 16.5%	**1,176**	3,340
Tax effect of income not taxable and expenses not deductible, net	**(495)**	(669)
Tax effect of tax loss not recognised	**1,962**	59
(Over)/under-provision in prior years	**(601)**	24
Utilisation of tax losses previously not recognised	**(259)**	(624)
Income tax	**1,783**	2,130

12. 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	Share option expenses HK$'000	Total HK$'000
For the year ended 31 December 2022						
Executive directors						
Mr. Ng Chin Hung (note i)	–	2,565	100	15	44	2,724
Mr. Cheng Tak Yuen	–	1,152	76	18	22	1,268
Mr. Cheng Hiu Tung Anthony (note ii)	–	724	35	9	–	768
Mr. Tsang Zee Ho, Paul (note iii)	–	371	–	2	–	373
Mr. Heung Ka Lok (note iv)	–	192	–	1	–	193
	–	5,004	211	45	66	5,326
Non-executive directors						
Mr. Po Kam Hi, John (note v)	138	–	–	–	–	138
Mr. Tsang Zee Ho, Paul (note iii)	25	–	–	–	–	25
Mr. Chan Kin Chung (note vi)	335	–	–	–	–	335
	498	–	–	–	–	498
Independent non-executive directors						
Mr. Lee Kwong Chak, Bonnio (note vii)	250	–	–	–	–	250
Mr. Yuen Ching Bor Stephen (note viii)	91	–	–	–	–	91
Mr. Kwan Chi Hong (note ix)	237	–	–	–	–	237
Mr. Leung Ka Kui Johnny (note x)	133	–	–	–	–	133
Mr. Chan William (note xi)	168	–	–	–	–	168
Mr. Law Wing Tak, Jack (note xii)	53	–	–	–	–	53
Mr. Moy Yee Wo, Matthew (note xii)	53	–	–	–	–	53
Mr. Yu Kwok Fai (note xii)	53	–	–	–	–	53
	1,038	–	–	–	–	1,038
	1,536	5,004	211	45	66	6,862

12. 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	Share option expenses HK$'000	Total HK$'000
For the year ended 31 December 2021						
Executive directors						
Mr. Ng Chin Hung (note i)	–	2,092	1,600	18	177	3,887
Mr. Cheng Tak Yuen	–	590	484	18	88	1,180
Mr. Tai King Fung (note xiii)	–	216	100	6	–	322
Mr. Cheng Hiu Tung Anthony (note ii)	–	120	246	2	–	368
	–	3,018	2,430	44	265	5,757
Independent non-executive directors						
Mr. Lee Kwong Chak, Bonnio (note vii)	260	–	–	–	–	260
Mr. Pang Chung Fai, Benny (note xiv)	62	–	–	–	–	62
Mr. Chan Fei Fei (note xiv)	62	–	–	–	–	62
Mr. Yuen Ching Bor Stephen (note viii)	200	–	–	–	–	200
Mr. Kwan Chi Hong (note ix)	200	–	–	–	–	200
Mr. Leung Ka Kui Johnny (note x)	50	–	–	–	–	50
	834	–	–	–	–	834
	834	3,018	2,430	44	265	6,591

Notes:

(i) Mr. Ng Chin Hung was resigned as executive director of the Company on 15 October 2022.

(ii) Mr. Cheng Hiu Tung Anthony was appointed and retired as executive director of the Company on 1 December 2021 and 10 June 2022 respectively.

(iii) Mr. Tsang Zee Ho, Paul was appointed as non-executive director of the Company on 15 March 2022 and redesignated as executive director of the Company on 6 April 2022. Mr. Tsang Zee Ho, Paul was retired as executive director of the Company on 10 June 2022.

(iv) Mr. Heung Ka Lok was appointed as executive director of the Company on 28 October 2022.

(v) Mr. Po Kam Hi John was appointed and retired as non-executive director of the Company on 15 March 2022 and 10 June 2022 respectively.

(vi) Mr. Chan Kin Chung was appointed as non-executive director of the Company on 10 June 2022.

(vii) Mr. Lee Kwong Chak, Bonnio was resigned as independent non- executive director of the Company on 28 October 2022.

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

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

Notes: (Continued)

(viii) Mr. Yuen Ching Bor Stephen was appointed and resigned as independent non-executive director of the Company on 7 May 2021 and 20 April 2022 respectively.

(ix) Mr. Kwan Chi Hong were appointed and resigned as independent non-executive director of the Company on 7 May 2021 and 15 October 2022 respectively.

(x) Mr. Leung Ka Kui Johnny was appointed and retired as independent non-executive director of the Company on 10 November 2021 and 10 June 2022 respectively.

(xi) Mr. Chan William was appointed as independent non-executive director of the Company on 10 June 2022.

(xii) Mr. Law Wing Tak, Jack, Mr. Moy Yee Wo, Matthew and Mr. Yu Kwok Fai were appointed as independent non-executive directors of the Company on 28 October 2022.

(xiii) Mr. Tai King Fung was resigned as executive director of the Company on 5 May 2021.

(xiv) Mr. Pang Chung Fai, Benny and Mr. Chan Fei Fei were resigned as independent non-executive directors of the Company on 5 May 2021.

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

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

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

There was no arrangement under which a director or the chief executive of the Company 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 34 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.

12. 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 three (2021: two) executive directors of the Company. Details of the remuneration for the current year of the remaining two (2021: three) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 HK$'000	2021 HK$'000
Basic salaries and allowances	2,326	2,981
Discretionary bonus	371	2,688
Retirement benefits contributions	32	54
Share option expense	22	354
	2,751	6,077

	Number of employees 2022	2021
Nil to HK$1,000,000	1	2
HK$1,000,001 to HK$1,500,000	–	–
HK$1,500,001 to HK$2,000,000	1	–
HK$2,000,001 to HK$2,500,000	–	–
HK$2,500,001 to HK$3,000,000	–	–
HK$3,000,001 to HK$3,500,000	–	–
HK$3,500,001 to HK$4,000,000	–	–
HK$4,000,001 to HK$4,500,000	–	1
	2	3

During the years ended 31 December 2022 and 31 December 2021, 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.

13. 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.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following:

Earnings	**2022 HK$'000**	2021 HK$'000
Earnings attribute to owners of the Company for the purpose of calculating basic and diluted earnings per share	**4,452**	17,338
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**600,000,000**	600,000,000
Effect of dilutive potential ordinary shares arising from share options issued by the Company	**–**	1,574,773
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**600,000,000**	601,574,773

The effect of the Company's outstanding share options for the year ended 31 December 2022 did not give rise to any dilution effect to the earnings per share.

15. PROPERTY, PLANT AND EQUIPMENT/COMPUTER SOFTWARE

(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 2021	2,152	14,153	8,296	5,658	30,259
Additions	1,298	3,299	1,180	191	5,968
Disposals	–	–	–	(338)	(338)
At 31 December 2021 and 1 January 2022	3,450	17,452	9,476	5,511	35,889
Additions	**80**	**1,011**	**162**	**628**	**1,881**
At 31 December 2022	**3,530**	**18,463**	**9,638**	**6,139**	**37,770**
ACCUMULATED DEPRECIATION					
At 1 January 2021	1,555	8,637	5,721	5,099	21,012
Charge for the year	753	1,718	1,036	154	3,661
Disposals	–	–	–	(173)	(173)
At 31 December 2021 and 1 January 2022	2,308	10,355	6,757	5,080	24,500
Charge for the year	**651**	**2,184**	**999**	**293**	**4,127**
At 31 December 2022	**2,959**	**12,539**	**7,756**	**5,373**	**28,627**
CARRYING AMOUNTS					
At 31 December 2022	**571**	**5,924**	**1,882**	**766**	**9,143**
At 31 December 2021	1,142	7,097	2,719	431	11,389

15. PROPERTY, PLANT AND EQUIPMENT/COMPUTER SOFTWARE (Continued)

(b) Computer software

	Total HK$'000
COST	
At 1 January 2021, 31 December 2021 and 1 January 2022	1,103
Additions	**206**
At 31 December 2022	**1,309**
AMORTISATION	
At 1 January 2021	808
Charge for the year	85
31 December 2021 and 1 January 2022	893
Charge for the year	**149**
At 31 December 2022	**1,042**
CARRYING AMOUNTS	
At 31 December 2022	**267**
At 31 December 2021	210

16. DEPOSITS PLACED IN LIFE INSURANCE POLICIES

	2022 **HK$'000**	2021 HK$'000
Deposits placed for life insurance policies	**120,389**	114,650

Reconciliation of the movement for deposits placed in life insurance policies:

	2022 **HK$'000**	2021 HK$'000
At 1 January	**114,650**	111,769
Accrued interest earned during the year	**2,953**	2,881
Change arising from change of cash flow estimates	**2,786**	–
At 31 December	**120,389**	114,650
Represents:		
Non-current potion	**5,352**	114,650
Current portion	**115,037**	–
	120,389	114,650

Two deposits placed in life insurances policies with principal amounts of HK$100,000,000 ("**Insurance policy A**") and US$644,000 ("**Insurance policy B**") respectively. The Group can terminate the policies at any time and receive cash refund based on the cash value of the policies at the date of withdrawal, which is determined by the upfront payment plus accumulated interest earned and minus the expense charged at inception, the accumulated insurance charge and policy expense charge. A surrender charge would also be required if the withdrawal is made before the 5th policy year for Insurance policy A and 15th policy year for Insurance policy B.

The effective interest rates of Insurance policy A and Insurance policy B are and 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.

The Group originally intended to hold the Insurance policy A until the end of its expected life of 15 years. During the year ended 31 December 2022, the management of the Group resolved to surrender Insurance policy A within 12 months after the end of the reporting period. The decision is in response to the increase in interest rate and the Group's borrowings costs due to recent changes in global environment, of which could result a less favorable position for the Group to hold the Insurance policy A until the end of its expected life, and is also decided on the basis that this arrangement would optimise the capital structure through liquidity management. The management regards that such plan is still consistent with the business model for holding financial assets to receive contractual cash flows as an objective. Therefore, there is no change in the business model and the classification of the deposits placed for life insurance policies as financial assets at amortised costs is still appropriate.

The expected future cash flows in relation to the deposits will be changed due to the surrender plan. A gain of approximately HK$2,786,000 (note 8) arose in relation to revision in the estimation of future cash flow is recognised as other gains and losses during the year ended 31 December 2022. As such, the deposits paid for the Insurance policy A of HK$115,037,000 (2021: non-current assets of HK$109,368,000) is classified as current assets in the current year.

17. RIGHT-OF-USE ASSETS

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

	Properties HK$'000	Motor vehicles HK$'000	Total HK$'000
As at 1 January 2021	16,703	7,943	24,646
Additions	50,449	1,852	52,301
Depreciation charge	(26,141)	(2,371)	(28,512)
Disposals	–	(601)	(601)
As at 31 December 2021 and 1 January 2022	41,011	6,823	47,834
Additions	**34,618**	**1,672**	**36,290**
Depreciation charge	**(32,813)**	**(2,356)**	**(35,169)**
Termination of lease	**(2,112)**	**–**	**(2,112)**
Disposals	**–**	**(273)**	**(273)**
As at 31 December 2022	**40,704**	**5,866**	**46,570**

The Group leases various properties and motor vehicles for its operations. 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.

	2022 **HK$'000**	2021 HK$'000
Expenses relating to short-term lease (included in cost of sales and administrative and selling expenses)	**6,259**	11,495

18. 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. Since its incorporation and up to the date of issue of these consolidated financial statements, the associate remains inactive.

19. INTEREST IN A JOINT VENTURE

	2022 HK$'000	2021 HK$'000
Unlisted overseas investments		
Share of net assets	**1,529**	816

The following table shows the Group's share of the amounts of the joint venture that are accounted for using the equity method:

	2022 HK$'000	2021 HK$'000
Year ended 31 December:		
Profit before tax	**1,018**	274
Profit for the year	**1,018**	274
Other comprehensive income	**–**	–
Total comprehensive income for the year	**1,018**	274

As at the end of each reporting period, the unlisted investments in joint ventures represented the 70% equity interest in JEC USA.

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 USD70,000 (equivalent to approximately HK$543,000) for 7,000 shares in JEC USA. On 1 January 2020, JEC USA was established. The Group holds 70% of the issued share capital of JEC USA. However, the decisions about the relevant activities of JEC USA should be unanimously approved by the Group and the other two shareholders of JEC USA. Therefore, JEC USA is regarded as a joint venture of the Group. During the year ended 31 December 2022, the share of profit in JEC USA of approximately HK$713,000 (2021: approximately HK$192,000) was recognised in the share of profit from joint venture.

20. TRADE AND OTHER RECEIVABLES

	2022 HK$'000	2021 HK$'000
Trade receivables	**143,712**	145,956
Less: Impairment loss on trade receivables	**(17,770)**	(16,195)
	125,942	129,761
Rental deposits	**8,556**	7,987
Other prepayments and deposits	**10,630**	4,269
Trade and other receivables	**145,128**	142,017
Analysed as:		
Current assets:		
Trade receivables	**125,942**	129,761
Other receivables, deposits and prepayments	**17,911**	8,950
	143,853	138,711
Non-current assets:		
Rental and other deposits	**1,275**	3,306
	145,128	142,017

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

20. TRADE AND OTHER RECEIVABLES (Continued)

The Group allows a credit period ranging from 15 to 90 days (2021: 15 to 90 days) to its air and ocean freight forwarding customers and a credit period of 30 days (2021: 30 days) to its logistics and warehousing customers and 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:

	2022 **HK$'000**	2021 HK$'000
0 to 30 days	**47,795**	43,845
31 to 60 days	**26,812**	44,470
61 to 90 days	**12,653**	13,127
91 to 365 days	**9,876**	15,260
Over 365 days	**28,806**	13,059
	125,942	129,761

Reconciliation of loss allowance for trade receivables:

	2022 **HK$'000**	2021 HK$'000
At 1 January	**16,195**	14,020
Increase in loss allowance for the year	**1,575**	2,175
At 31 December	**17,770**	16,195

The carrying amounts of the Group's trade receivables that are denominated in US$ amounted to approximately HK$44,444,000 (2021: HK$47,518,000) for the year ended 31 December 2022.

20. TRADE AND OTHER RECEIVABLES (Continued)

The Group applies the simplified approach under HKFRS 9 to provide for expected credit losses using the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses 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 to 365 days past due	Over 365 days past due	Total
At 31 December 2022							
Weighted average expected loss rate	**1%**	**2%**	**5%**	**9%**	**4%**	**68%**	**12%**
Receivable amount (HK$'000)	**71,501**	**14,847**	**3,625**	**552**	**30,496**	**22,691**	**143,712**
Impairment loss (HK$'000)	**(468)**	**(261)**	**(187)**	**(53)**	**(1,312)**	**(15,489)**	**(17,770)**
At 31 December 2021							
Weighted average expected loss rate	1%	2%	3%	10%	28%	89%	11%
Receivable amount (HK$'000)	81,802	35,934	8,458	1,032	3,680	15,050	145,956
Impairment loss (HK$'000)	(844)	(627)	(254)	(108)	(1,013)	(13,349)	(16,195)

21. INVENTORIES

As at 31 December 2021, inventories represented merchandises attributable to the e-commerce online trading platform. The Group's inventories were stated at lower of cost and net realisable value at the end of reporting period.

22. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

As at 31 December 2022, the pledged bank deposits represented deposits pledged to banks to secure certain short-term banking facilities granted to the Group and were therefore classified as current assets. The pledged bank deposits would be released upon settlement of the relevant bank borrowings. The pledged bank deposits carry fixed interest at rates of 0.05% (2021: 0.05%) per annum.

As at 31 December 2022, 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% (2021: 0.01% to 0.25%) per annum. The carrying amounts of the Group's pledged bank deposits/bank balances and cash that are denominated in US$ amounted to approximately HK$2,121,000 (HK$4,880,000) for the year ended 31 December 2022.

23. TRADE AND OTHER PAYABLES

	2022 HK$'000	2021 HK$'000
Trade payables	**55,264**	61,015
Other payables	**7,337**	1,225
Provision for a claim	**–**	500
Accruals	**23,868**	27,181
	31,205	28,906
Trade and other payables	**86,469**	89,921

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.

	2022 HK$'000	2021 HK$'000
0 to 30 days	**21,719**	33,194
31 to 60 days	**14,516**	16,650
61 to 90 days	**3,587**	3,033
Over 90 days	**15,442**	8,138
	55,264	61,015

As at 31 December 2022 and 2021, certain banks have given performance guarantees covering the Group for payment to their major suppliers.

24. LOAN FROM A SUBSTANTIAL SHAREHOLDER

On 14 November 2022, the Company entered into a loan agreement with Million Venture Holdings Limited, a substantial shareholder of the Company, pursuant to which a substantial shareholder agreed to lend and the Company agreed to borrow an aggregated principal amount of HK$10,000,000.

The loan is secured by corporate guarantee given by certain Hong Kong subsidiaries of the Company, carries interest at 10% per annum, and is repayable on 14 November 2023.

25. DUE TO NON-CONTROLLING INTERESTS

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

26. CONTRACT LIABILITIES

Disclosures of revenue-related items:

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Contract liabilities	**1,206**	941

Movements in contract liabilities:

	HK$'000
At 1 January 2021	393
Increase in contract liabilities as a result of consideration received from customers during the year	941
Decrease in contract liabilities as a result of recognising revenue during the year which was included in the contract liabilities at the beginning of the year	(393)
At 31 December 2021 and 1 January 2022	941
Increase in contract liabilities as a result of consideration received from customers during the year	**1,206**
Decrease in contract liabilities as a result of recognising revenue during the year which was included in the contract liabilities at the beginning of the year	**(941)**
At 31 December 2022	**1,206**

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 AND OVERDRAFT

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Secured variable-rate bank borrowings	**112,000**	133,337
Bank overdraft	**1,748**	–
Total bank borrowings and overdraft	**113,748**	133,337

27. BANK BORROWINGS AND OVERDRAFT (Continued)

The carrying amounts of bank borrowings and overdraft that contain a repayment on demand clause but repayable:

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Within one year	**113,748**	133,337

The Group's bank borrowings and overdraft are denominated in HK$. The range of effective interest rate on the Group's bank borrowings is ranging from 2.1% to 5.1% (2021: 2.0% to 3.6%).

At the end of the reporting period, the banking borrowings are secured by:

(i) the pledged bank balances of approximately HK$17,446,000 (2021: HK$17,438,000);

(ii) deposits placed in life insurance policies as disclosed in note 16;

(iii) corporate guarantee by the Company.

28. OTHER BORROWING

The amount is unsecured, carries fixed interest rate at 10% per annum, and was repayable on 28 February 2023 and 14 March 2023. The carrying amount is denominated in USD.

Subsequent to the end of the reporting period, the other borrowing was fully repaid.

29. LEASE LIABILITIES

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

	As at 31 December	
	2022	2021
	HK$'000	HK$'000
Carrying amount at 1 January	**46,962**	22,875
New leases	**36,164**	52,301
Accretion of interest recognised during the year (note 9)	**1,944**	2,009
Covid-19-related rent concessions from lessors	**(592)**	–
Payments	**(35,736)**	(30,223)
Termination of lease	**(2,151)**	–
Carrying amount at 31 December	**46,591**	46,962
Analysed into:		
Current portion	**30,488**	26,536
Non-current portion	**16,103**	20,426

29. LEASE LIABILITIES (Continued)

	Lease payments		Present value of lease payments	
	2022	2021	**2022**	2021
	HK$'000	HK$'000	**HK$'000**	HK$'000
Within one year	**31,787**	27,855	**30,488**	26,536
Within a period of more than one year but not more than two years	**11,049**	19,205	**10,591**	18,743
Within a period of more than two years but not more than five years	**5,617**	1,738	**5,512**	1,683
	48,453	48,798	**46,591**	46,962
Less: future finance charges	**(1,862)**	(1,836)	**N/A**	N/A
Present value of lease obligations	**46,591**	46,962	**46,591**	46,962
Less: Amounts due for settlement within twelve months (shown under current liabilities)			**(30,488)**	(26,536)
Amounts due for settlement after twelve months			**16,103**	20,426

At 31 December 2022, the average effective borrowing rate was 3.8% (2021: 3.8%). Interest rates are fixed at the contract dates and thus expose the Group to fair value interest rate risk.

30. DEFERRED TAX ASSETS/LIABILITIES

The following are the deferred tax liabilities and assets (after offset) recognised by the Group for consolidated statement of financial position purposes:

	Accelerated tax depreciation HK$'000
At 1 January 2021	687
Charged to profit or loss (note 11)	93
At 31 December 2021 and 1 January 2022	780
Credited to profit or loss (note 11)	**(318)**
At 31 December 2022	**462**
Represents:	
Deferred tax assets	(171)
Deferred tax liabilities	633
	462

At 31 December 2022, the Group had unused tax losses of approximately HK$25,078,000 (2021: approximately HK$14,766,000), available to offset against future profits. The tax losses may be carried forward indefinitely.

31. SHARE CAPITAL

	Number of shares	Share capital HK$'000
Authorised:		
Ordinary shares of HK$0.01 (2021: HK$0.01) each		
At 1 January 2021, 31 December 2021 and 31 December 2022	1,500,000,000	15,000
Issued and fully paid:		
Ordinary shares of HK$0.01 (2021: HK$0.01) each		
At 1 January 2021, 31 December 2021 and 31 December 2022	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 loan from a substantial shareholder (note 24), due to a non-controlling interests (note 25), bank borrowings and overdraft (note 27), other borrowing (note 28), and lease liabilities (note 29), of which details have been disclosed in the corresponding notes respectively, 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.

	2022 HK$'000	2021 HK$'000
Total debt	**178,065**	180,955
Less: cash and cash equivalents	**(10,131)**	(14,913)
Net debt	**167,934**	166,042
Total equity	**81,836**	76,156
Debt-to-adjusted capital ratio	**205%**	218%

As the externally imposed capital requirements for the Group, in order to maintain its listing on the Stock Exchange, it has to have a public float of at least 25% of the shares.

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2022 HK$'000	2021 HK$'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 liabilities		
Other payables and accruals	**50**	50
Amounts due to subsidiaries	**4,125**	4,125
	4,175	4,175
NET ASSETS	**38,220**	38,220
Capital and reserves		
Share capital	**6,000**	6,000
Reserves	**32,220**	32,220
TOTAL EQUITY	**38,220**	38,220

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.

33. 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 2021	47,755	1	4,658	(20,144)	32,270
Loss and total comprehensive expense for the year	–	–	–	(50)	(50)
At 31 December 2021, 1 January 2022 and 31 December 2022	**47,755**	**1**	**4,658**	**(20,194)**	**32,220**

34. RELATED-PARTY TRANSACTIONS

Compensation of key management personnel

	2022 **HK$'000**	2021 HK$'000
Fees	**1,536**	834
Salaries and other allowances	**5,004**	3,018
Discretionary bonus	**211**	2,430
Retirement benefit scheme contributions	**45**	44
Share-based payment expenses	**66**	265
	6,862	6,591

The remuneration of key management personnel consisted of the directors and the chief executive of the Company as disclosed in note 12, is determined with regard to the performance of the individuals and market trends.

34. RELATED-PARTY TRANSACTIONS (Continued)

Summary of significant related party transactions

	Notes	2022 HK$'000	2021 HK$'000
Service fee income in respect of provision of freight forwarding services to a joint venture	(i)	**1,664**	2,343
Service fee expenses in respect of provision of local delivery services from a joint venture	(ii)	**92**	237
Interest expense on loan from a substantial shareholder	(iii)	**104**	–

Notes:

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

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

(iii) Interest expenses charged by Million Venture Holdings Limited, a substantial shareholder of the Company, on a loan from the substantial shareholder (note 24).

35. PARTICULARS OF MAJOR SUBSIDIARIES OF THE COMPANY

Details of the Company's major subsidiaries as at 31 December 2022 and 2021 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 2022	2021	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 logistics and warehousing services
Janco HealthCare Limited	Hong Kong/ 6 June 2019	HK$1,000,000 ordinary shares	**100%**	100%	Provision of logistics and warehousing services
Janco Express Limited	Hong Kong/ 25 February 2016	HK$10,000 ordinary shares	**100%**	100%	Provision of logistics and warehousing services
Transpeed Hong Kong Limited	Hong Kong/ 21 December 2012	HK$10,000 ordinary shares	**100%**	100%	Provision of air freight forwarding services

35. 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 2022	2021	Principal activities
Janco E-Commerce Solutions Limited	Hong Kong/ 1 February 2017	HK$10,000 ordinary shares	**100%**	100%	Provision for e-commerce fulfillment services
Jandoor Supply Chain Management Limited	Hong Kong/ 28 July 2016	HK$8,000,000 ordinary shares	**50%#**	50%#	Provision for e-commerce 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.

36. 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 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.

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 2022, a total of 3,000,000 (2021: 10,500,000) Options granted under the Scheme remained outstanding .

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

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

	Category	Date of grant	Vesting Date	Number of Options: Outstanding as at 01/01/2022	Granted	Exercised	Lapsed	Outstanding as at 31/12/2022	Exercise Price	Exercise Period
1.	Directors									
	Ng Chin Hung	24/6/2020	24/6/2021 (50%)	**1,500,000**	**–**	**–**	**(1,500,000)**	**–**	0.2066	24/06/2021 – 23/06/2030
		24/6/2020	24/6/2022 (50%)	**1,500,000**	**–**	**–**	**(1,500,000)**	**–**	0.2066	24/06/2022 – 23/06/2030
	Cheng Tak Yuen	24/6/2020	24/6/2021 (50%)	**750,000**	**–**	**–**	**–**	**750,000**	0.2066	24/06/2021 – 23/06/2030
		24/6/2020	24/6/2022 (50%)	**750,000**	**–**	**–**	**–**	**750,000**	0.2066	24/06/2022 – 23/06/2030
2	Employees	24/6/2020	24/6/2021 (50%)	**3,000,000**	**–**	**–**	**(2,250,000)**	**750,000**	0.2066	24/06/2021 – 23/06/2030
		24/6/2020	24/6/2022 (50%)	**3,000,000**	**–**	**–**	**(2,250,000)**	**750,000**	0.2066	24/06/2022 – 23/06/2030
	Total			**10,500,000**	**–**	**–**	**(7,500,000)**	**3,000,000**		

	Category	Date of grant	Vesting Date	Number of Options: Outstanding as at 01/01/2021	Granted	Exercised	Lapsed	Outstanding as at 31/12/2021	Exercise Price	Exercise Period
1.	Directors									
	Ng Chin Hung	24/6/2020	24/6/2021 (50%)	1,500,000	–	–	–	1,500,000	0.2066	24/06/2021 – 23/06/2030
		24/6/2020	24/6/2022 (50%)	1,500,000	–	–	–	1,500,000	0.2066	24/06/2022 –23/06/2030
	Cheng Tak Yuen	24/6/2020	24/6/2021 (50%)	750,000	–	–	–	750,000	0.2066	24/06/2021 – 23/06/2030
		24/6/2020	24/6/2022 (50%)	750,000	–	–	–	750,000	0.2066	24/06/2022 – 23/06/2030
2	Employees	24/6/2020	24/6/2021 (50%)	3,000,000	–	–	–	3,000,000	0.2066	24/06/2021 – 23/06/2030
		24/6/2020	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		

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

The Group recognised the total expenses of approximately HK$144,000 (2021: HK$619,000) for the year ended 31 December 2022 in relation to share options granted by the Company.

The fair value of equity-settled share options granted on 24 June 2020 was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the share options were granted. The following table lists the inputs to the model used:

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 years ended 31 December 2022 and 2021.

At the end of the reporting period, the Company had 3,000,000 (2021: 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 3,000,000 (2021: 10,500,000) additional ordinary shares of the Company and additional share capital of HK$620,000 (2021: HK$2,169,000) (before issue expenses).

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

37. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme (the "**MPF scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly contribution of HK$1,500 (2021: HK$1,500). Contributions to the plan vest immediately.

Save for the above, the Group has no other obligation. No forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) may be used by the employer to reduce the existing level of contributions.

38. 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:

	Loan from a substantial shareholder	Due to the controlling shareholder	Interest payables (including in other payables)	Lease liabilities	Other borrowing	Bank borrowings	Due to non-controlling interests	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2021	–	3,246	232	22,875	–	143,652	656	170,661
Changes in cash flows	–	(3,246)	(3,429)	(30,223)	–	(10,315)	–	(47,213)
Non-cash changes								
— new finance leases	–	–	–	52,301	–	–	–	52,301
— finance costs recognised	–	–	3,368	2,009	–	–	–	5,377
At 31 December 2021 and 1 January 2022	–	–	171	46,962	–	133,337	656	181,126
Changes in cash flows	**10,000**	**–**	**(3,729)**	**(35,736)**	**7,070**	**(21,337)**	**–**	**(43,732)**
Non-cash changes								
— new finance leases	**–**	**–**	**–**	**36,164**	**–**	**–**	**–**	**36,164**
— early termination of leased properties	**–**	**–**	**–**	**(2,151)**	**–**	**–**	**–**	**(2,151)**
— finance costs recognised	**–**	**–**	**3,883**	**1,944**	**–**	**–**	**–**	**5,827**
— Covid-19-related rent concession	**–**	**–**	**–**	**(592)**	**–**	**–**	**–**	**(592)**
At 31 December 2022	**10,000**	**–**	**325**	**46,591**	**7,070**	**112,000**	**656**	**176,642**

38. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

(b) Total cash outflow for leases

Amounts included in the cash flow statements for leases comprise the following:

	2022 **HK$'000**	2021 HK$'000
Within operating cash flows	**1,944**	2,009
Within financing cash flows	**33,792**	28,214
	35,736	30,223

These amounts relate to the following:

	2022 **HK$'000**	2021 HK$'000
Lease rental paid	**35,736**	30,223

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 22 March 2023.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2018	2019	2020	2021	**2022**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Revenue	366,802	412,319	487,641	568,962	**512,672**
(Loss)/profit before taxation	(25,133)	(18,593)	13,409	20,243	**7,126**
Income tax credit/(expense)	196	593	(1,389)	(2,130)	**(1,783)**
(Loss)/profit for the year	(24,937)	(18,000)	12,020	18,113	**5,343**
(Loss)/profit for the year attributable to:					
Owners of the Company	(24,937)	(18,070)	11,170	17,338	**4,452**
Non-controlling interests	–	70	850	775	**891**
	(24,937)	(18,000)	12,020	18,113	**5,343**

	As at 31 December				
	2018	2019	2020	2021	**2022**
	HK$'000	HK$'000	HK$'000	HK$'000	**HK$'000**
Total assets	324,906	294,110	300,656	351,090	**350,835**
Total liabilities	(261,446)	(248,429)	(243,026)	(274,934)	**268,999**
	63,460	45,681	57,630	76,156	**81,836**
Equity attributable to:					
Owners of the Company	63,460	45,420	56,519	74,270	**79,059**
Non-controlling interests	–	261	1,111	1,886	**2,777**
	63,460	45,681	57,630	76,156	**81,836**