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Janco Holdings Limited
駿高控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8035)

**FULFILMENT OF RESUMPTION GUIDANCE
RESULTS OF THE FOLLOW-UP REVIEW
AND
RESUMPTION OF TRADING**

This announcement is made by the board of directors (the “**Board**”) of Janco Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”).

References are made to the announcements (the “**Announcements**”) of the Company dated 27 March 2019, 29 March 2019, 10 May 2019, 15 May 2019, 16 May 2019, 28 June 2019, 9 August 2019, 14 August 2019, 13 September 2019, 30 September 2019, 21 October 2019, 31 October 2019, 8 November 2019 and 27 November 2019. Capitalised terms used herein shall have the same meaning as those defined in the Announcements unless the context otherwise requires.

The Company is pleased to announce that the resumption guidance provided by The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) have been fulfilled.

BACKGROUND OF RESUMPTION GUIDANCE

The shares of the Company (the “**Shares**”) has been suspended at the request of the Company since 1 April 2019 as a result of the delay in publication of the financial results of the Group for FY2018 and dispatch of the 2018 Annual Report, as disclosed in the announcements of the Company dated 27 March 2019 and 29 March 2019, respectively.

RESUMPTION GUIDANCE

As disclosed in the announcement of the Company dated 10 May 2019, the Stock Exchange set out the following resumption guidance for the Company (the “**Resumption Guidance**”):

- i. publish all outstanding financial results required under the GEM Listing Rules and address any audit modifications (the “**First Resumption Guidance**”);
- ii. announce the findings of the Independent Review and take appropriate remedial actions (the “**Second Resumption Guidance**”); and
- iii. announce all material information for shareholders and investors to appraise its position (the “**Third Resumption Guidance**”).

The Letter also states that the Company must remedy the issue(s) causing its trading suspension and fully comply with the GEM Listing Rules to the Stock Exchange’s satisfaction before trading in its securities is allowed to resume.

FULFILLMENT OF RESUMPTION GUIDANCE

The Company is pleased to announce that, as at the date hereof, the Resumption Guidance have been fulfilled and the details of which are set out below:

i. First Resumption Guidance

The Company has published all outstanding financial results and the dates of publication of the financial results are set out in the table below:

Financial year/period	Date of publication
The annual results announcement of the Company for the year ended 31 December 2018	31 October 2019
The first quarterly results announcement of the Company for the three months ended 31 March 2019	27 November 2019
The interim results announcement of the Company for the six months ended 30 June 2019	27 November 2019
The third quarterly results announcement of the Company for the nine months ended 30 September 2019	27 November 2019

The Company confirms that, as at the date hereof, it has published all outstanding financial results. There are no other financial results of the Company that are outstanding and the Company’s auditor, ZHONGHUI ANDA CPA Limited (“**Zhonghui**”), did not raise any concerns through audit modifications. Accordingly, the Company considers that it has fulfilled the First Resumption Guidance.

ii. Second Resumption Guidance

As previously announced, the Company engaged Ernst & Young Advisory Services Limited (“**EY**”) to conduct the Independent Review, covering the period from 1 January 2018 to 31 December 2018 and the following areas of focus (the “**Areas of Focus**”):

- (a) the arrangements of the Commission Transactions;
- (b) relationships between the Group and JFX and its affiliates;
- (c) any other transactions relating to JFX and its affiliates, included but not limited to sales, cost of sales or commission income; and
- (d) potential deficiencies of the internal policies, procedures and controls of the Group which might have resulted in the issue raised by the Group’s auditors.

With respect to the Areas of Focus, the key findings of the Independent Review conducted by EY were disclosed in the announcement of the Company dated 13 September 2019 (the “**Independent Review Announcement**”). The subsequent final report of the Independent Review (the “**Report**”) was issued by EY on 17 September 2019. The key findings and recommendations set out in the Report are substantially identical to the key findings as stated in the Independent Review Announcement and there are no new findings or further recommendations in the Report.

In the Report, EY identified potential deficiencies in the policies, procedures and controls of the Company and made recommendations on how to address each of the potential internal control deficiencies (the “**Recommendations**”). The Recommendations corresponding to each of the identified potential deficiency are set out as follows:

Potential deficiencies	Recommendations
1. There is no policy to preserve the server emails and data from electronic device(s) of resigned staff.	Policies should be in place to ensure that the server emails and data from electronic device(s) of resigned staff are retained for a specified period. This will ensure that no Company data and information would be lost upon the resignation of staff.

Potential deficiencies

2. Policies and procedures around the revenue cycle is not strictly observed.
3. Other than the void report generated from the system, no document trail are maintained to show the removal of entries from the accounting system, as well as the reviewer(s) and the approver(s) of the deletion.
4. Preparation by the employees of the Group of draft statutory records and sale and purchase agreements for JFX and its affiliates, which do not form part of the Group.
5. Several employees from JFX and its affiliates have been using emails with the Group's email domain addresses. EY were informed that this was done in the past in order to facilitate businesses with some of the long term customers (i.e. those whom had been customers with the Group/JFX before the reported sale of JFX to Sinolinks in 2015), who still perceive the Group and JFX as being related.
6. Employees of the Group are still being referred by third parties as a contact person for JFX and its affiliates, for example, with banks and auditors.

Recommendations

Policies and procedures should be observed and amended where necessary, including setting down pre-approved pricing/costing parameters for each sales transaction and different levels of review and approvals to be required for those transactions above the pre-approved parameters. The use of checklists may assist staff to ensure that the necessary procedures are being adhered to.

Proper approval ladder should be in place for the removal/deletion of entries from the accounting system. A proper document trail should be maintained around the removal/deletion of entries from the accounting system, including but not limited to, the person requesting, approving and performing the removal/deletion, and the reason for the removal/deletion.

Such practice should not continue in the future to avoid perceived non-arm's length relationship between JFX and its affiliates and the Group.

Email addresses with the Group's email domain should only be used by management and employees of the Group. Any email addresses that had been issued to individuals outside the Group should be removed immediately.

Immediate request should be made to JFX to remove any employees within the Group as a contact person for JFX and its affiliates.

Potential deficiencies

7. JFX and its affiliates are included and referred to as part of the Group's subsidiaries in the rebate agreement with shipping carriers. As represented by the management, this conduct is due to the ability to negotiate and obtain a higher rate of rebate from the shipping carriers if JFX and its affiliates are seen as part of the Group's subsidiaries.
8. Collection of account receivables balance on behalf of each other from mutual customers between the Group and JFX and its affiliates.
9. Former employees of the Group remain as authorized signatories to the Group's bank accounts after their resignation.

Recommendations

- JFX and its affiliates should be removed as part of the Group's subsidiaries in the rebate agreement to avoid perceived non-arm's length relationship between JFX and its affiliates and the Group.
- Such practice should not continue in the future to avoid perceived non-arm's length relationship between JFX and its affiliates and the Group.
- The list of authorized signatories to the Group's bank accounts should be reviewed and updated regularly.

For details of the issues identified in the Areas of Focus, please refer to the Independent Review Announcement.

The Company's remedial actions in response to the Independent Review

In response to the key findings in the Areas of Focus in the Independent Review, the Company has adopted the Recommendations in the Independent Review and has taken a number of remedial actions. In the remediation process, policies and procedures are revised or developed in connection with the Company's revenue cycle, recording of accounting entries, document retention policies and other policies in relation to electronic data, domain email accounts, transactions with related parties and financial reporting management.

In addition, the Company has further engaged EY to perform follow-up work in providing implementation support and training support in connection with the areas identified in the remediation process and to perform a walkthrough of the processes identified at the Company and its subsidiaries (the "**Follow-up Review**").

The scope of work of the Follow-up Review covered the following areas:

- i. revenue cycle policies including the segregation of duties, approval ladders, the internal review process (pre-transaction approval and exception reporting) and reconciliation with counter-parties;
- ii. recording and reversal of accounting entries including the segregation of duties, approval ladders, the internal review process (pre-posting approval, reversal approval and management level review) and reconciliation with counter-parties;
- iii. document retention policies in relation to the Company's revenue cycle, recording/reversal of accounting entries and electronic data; and
- iv. other policy review including policies, procedures and/or manual regarding retention of electronic data, approval process of company domain email account(s), policy pertaining to transactions with related parties and policy and procedures relating to Financial Reporting Management.

With the assistance of EY, the Company has revised its internal policies, procedures and controls (the "**Policies**"), of which have been adopted and implemented with effect from 21 November 2019 and 26 November 2019. Details of the results of the Follow-up Review are as follows:

Results of the Follow-up Review

EY has submitted a summary of work performed to the audit committee of the Company (the "**Audit Committee**") in respect of the scope of work mentioned above.

Implementation of Policies and training support

The remedial actions taken by the Company and the adoption of the revised Policies corresponding to each of the identified potential deficiency as disclosed in the Independent Review Announcement are set out below:

Potential deficiencies	Remedial actions and related Policies
1. There is no policy to preserve the server emails and data from electronic device(s) of resigned staff.	<p>The Company adopted all the recommendations made by EY in relation to the preservation of server emails and data and the handover process.</p> <p>The Company also revised related documents such as the handover form and the handover list for employees who resign, the Information Technology Policy and Procedure Manual, as well as the Request Form for Data Processing.</p> <p>The revised Policies and forms have been implemented and released to the Group's employees on 26 November 2019.</p>

Potential deficiencies

Remedial actions and related Policies

2. Policies and procedures around the revenue cycle is not strictly observed.

The Company adopted all the recommendations made by EY relating to the process of ordering, price setting, order processing, invoicing, checking and filing within the revenue cycle and revised/drafted the following Policies and checklists:

- Policy and Procedure on the revenue cycle for (i) JGL and (ii) Janco Logistics (HK) Limited (“**JLH**”), a subsidiary of the Group
- Financial Reporting Management (Policy and Procedures)
- Operation checklist and Review checklist
- Connected Transactions Policy

The newly developed and revised Policies and checklists have been implemented and released to the Group’s employees on 21 November 2019.

In addition, the Company has adopted the recommendations made by EY and will appoint an external consultant to perform regular monitoring of the key controls within the revised Policies and checklists within the revenue cycle, and to report any deficiencies in the operating effectiveness as well as provide recommendations of corrective actions to the Audit Committee.

3. Other than the void report generated from the system, no document trail are maintained to show the removal of entries from the accounting system, as well as the reviewer(s) and the approver(s) of the deletion.

The Company adopted all the recommendations made by EY in relation to the removal/deletion of entries from the accounting system. The Company also revised the Information Technology Policy and Procedure Manual and the Request Form for data deletion accordingly and appropriate approval ladders are now in place.

The revised policy and form which stipulate the data retention requirements and procedures of data deletion have been implemented and released to the Group’s employees on 26 November 2019.

Potential deficiencies

Remedial actions and related Policies

4. Preparation by the employees of the Group of draft statutory records and sale and purchase agreements for JFX and its affiliates, which do not form part of the Group.

The management of the Company has considered the recommendations of EY relating to the potential deficiency and revised its Employment Contract template. It is now stipulated that the Group's employee(s) should not engage in any other services nor be employed in any capacity outside the Group without the Group's prior consent.

The revised Employment Contract template is applicable to the new employees of the Group with effect from 21 November 2019 and the Company has communicated with their current employees on 21 November 2019 about the new requirement which is also applicable to them and arranged the current employees to acknowledge the new requirements in writing.
5. Several employees from JFX and its affiliates have been using emails with the Group's email domain addresses. EY was informed that this was done in the past in order to facilitate businesses with some of the long-term customers (i.e. those whom had been customers with the Group/JFX before the reported sale of JFX to Sinolinks in 2015), who still perceive the Group and JFX as being related.

The Company has adopted all the recommendations by EY relating to the process of removal of email addresses of resigned employees and has updated the Request Form for creation, deletion, deactivation of email accounts as well as the Information Technology Policy and Procedure Manual accordingly.

The revised policy and form have been released to the Group's employees on 26 November 2019 to ensure the email addresses with the Group's email domain should only be used by the management and employees of the Group.

Potential deficiencies

Remedial actions and related Policies

6. Employees of the Group are still being referred by third parties as a contact person for JFX and its affiliates, for example, with banks and auditors.

The management of the Company has considered the recommendations of EY relating to the potential deficiency and revised its Employment Contract template. It is now stipulated that the Group's employee(s) should not engage in any other services nor be employed in any capacity outside the Group without the Group's prior consent.

The revised Employment Contract template is applicable to the new employees of the Group with effect from 21 November 2019 and the Company has communicated with their current employees on 21 November 2019 about the new requirement which is also applicable to them and arranged the current employees to acknowledge the new requirements in writing.
7. JFX and its affiliates are included and referred to as part of the Group's subsidiaries in the rebate agreement with shipping carriers. As represented by the management, this conduct is due to the ability to negotiate and obtain a higher rate of rebate from the shipping carriers if JFX and its affiliates are seen as part of the Group's subsidiaries.

The Company has adopted EY's recommendation to remove JFX and its affiliates as part of the Group's subsidiaries in any subsequent renewal of rebate agreement to avoid perceived non-arm's length relationship between JFX (and its affiliates) and the Group.
8. Collection of account receivables balance on behalf of each other from mutual customers between the Group and JFX (and its affiliates).

The Company has adopted all the recommendations by EY to revise the Policies and Procedures on the revenue cycle where the key recommendation is to communicate with the responsible employees to inform customers that the Group should not be receiving payment from customers on behalf of any other entities or vice versa.

The revised Policies have been adopted and released to the Group's employees on 21 November 2019.

Potential deficiencies

Remedial actions and related Policies

9. Former employees of the Group remain as authorized signatories to the Group's bank accounts after their resignation.

Directors' meetings were held on 18 July 2019 and 4 October 2019 to change the authorized signatories for bank accounts and instructions were sent to each of the relevant banks. The Company also revised the Financial Reporting Management (Policy & Procedures) to include EY's recommendations such as the requirement to review the Authorized Signatories List by the financial controller on a half-yearly basis.

The revised policy has been released to the Group's employees on 21 November 2019 to ensure the procedures and document retention requirements regarding the process of changing the authorized signatories for the Group's bank accounts will be complied with.

In preparation for the rollout of the updated or newly developed Policies, EY also provided training support to the Company by assisting in the development of training materials, as well as by conducting a training session mainly to the directors and senior management of the Company on 22 November 2019, as one of the formal means of communicating the rollout of updated or newly developed Policies to the relevant employees of the Company.

Upon the completion of the Follow-up Review, all the revised, updated or newly developed Policies in connection with the remediation of potential deficiencies in policies, procedures and controls that were highlighted in the report of the Independent Review have been rolled-out.

In view of the remedial actions taken, the review of related Policies by EY, the implementation and training support given by EY, the Company and the Audit Committee are of the view that the potential deficiencies in the policies, procedures and controls identified have been fully addressed.

Audit procedures performed by Zhonghui

As disclosed in the annual results announcement (the "Annual Results Announcement") for FY2018 of the Company dated 31 October 2019, Zhonghui has performed a range of audit procedures specifically to address the issues causing the trading suspension of the Company. After completing the audit procedures, Zhonghui is of the view that the consolidated statement of financial position was not misstated in respect of the Commission Transactions, and that the Commission Transactions do not affect the true and fair view of the consolidated statement of financial position. For details, please refer to the Annual Results Announcement.

Based on the above and the results of the Independent Review and Follow-up Review, the Board is of the view that issues identified by the Independence Review have been fully addressed and appropriate remedial actions have been taken up, and hence the Company considers that it has fulfilled the Second Resumption Guidance.

iii. Third Resumption Guidance

Since the suspension of trading of the Shares, the Company has published announcements in order to keep the Shareholders and the investors informed of the status of the Company, including but not limited to the Resumption Guidance, the progress in fulfilling the Resumption Guidance, the delay in publication of financial results, the findings of the Independent Review and the Follow-up Review on the remedial measures of the Company. The Board considers that the Company has addressed the issues identified in the Independent Review by taking up appropriate remedial measures as demonstrated by the Follow-up Review and published all material information for the Shareholders and investors to appraise the Group's position. Accordingly, the Company is of the view that it has fulfilled the Third Resumption Guidance.

In view of the above, the Company considers that it has satisfied all the three Resumption Guidance.

RESUMPTION OF TRADING

Trading in the Shares was suspended at the request of the Company with effect from 9:00 a.m. on 1 April 2019. As the Resumption Guidance has been fulfilled, an application has been made by the Company to the Stock Exchange for the resumption of trading in the Shares with effect from 9:00 a.m. on 28 November 2019.

By order of the Board
Janco Holdings Limited
Ng Chin Hung
Chairman

Hong Kong, 27 November 2019

As at the date of this announcement, the executive Directors are Mr. Ng Chin Hung, Mr. Cheng Tak Yuen and Mr. Chan Chun Sing; and the independent non-executive Directors are Mr. Lee Kwong Chak Bonnio, Mr. Pang Chung Fai Benny and Mr. Chan Fei Fei.

This announcement, for which the Directors 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 of Hong Kong Limited 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 announcement 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 announcement misleading.

This announcement will remain on GEM's website at www.hkgem.com on the "Latest Company Announcements" page for at least 7 days from the date of its posting and on the website of the Company at www.jancofreight.com.