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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)**

### **MAJOR TRANSACTION SUBSCRIPTION OF INSURANCE POLICY**

#### **SUBSCRIPTION OF INSURANCE POLICY**

The Board announces that on 24 July 2018, a subsidiary of the Company, Janco Global Logistics Limited, placed deposits amounting to HK\$100.0 million in a life insurance policy with China Taiping.

#### **IMPLICATIONS UNDER THE GEM LISTING RULES**

As at least one of the applicable percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules in respect of the Subscription is more than 25% but less than 100%, the Subscription constituted a major transaction of the Group under Chapter 19 of the GEM Listing Rules and was subject to the notification, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, no Shareholder (including Million Venture and Mr. Cheng Hon Yat) nor any of their close associates has a material interest in the Subscription and the China Taiping Insurance. As such, no shareholder would be required to abstain from voting if the Company were to convene a general meeting for approving the Subscription. As at the date of this announcement, Million Venture, a controlling shareholder of the Company which is holding 75% of the total issued share capital of the Company and wholly-owned by Mr. Cheng Hon Yat, has provided Shareholder's written approval for the Subscription pursuant to Rule 19.44 of the GEM Listing Rules in lieu of a resolution to be passed at a general meeting of the Company. Accordingly, no general meeting will be convened for the purpose of considering, ratifying and approving the subscription of the China Taiping Insurance pursuant to Rule 19.44 of the GEM Listing Rules.

Further, in light of the fact that the Subscription has already been made and all material information relating to the Subscription has been set forth in this announcement and written approval from majority shareholders has been obtained, no circular will be dispatched to the Shareholders.

The Company acknowledged that the notification, announcement and Shareholder's approval in respect to the subscription of the China Taiping Insurance as required under Chapter 19 of the GEM Listing Rules had delayed after revision of the nature of the Subscription by the management of the Company. The failure to make timely disclosure was due to a misunderstanding by the management of the Company that, as (i) the China Taiping Insurance had substantially the same characteristics as other fixed deposits with banks and (ii) the China Taiping Insurance is part of the Group's treasury activities and (iii) the China Taiping Insurance was taken out and pledged as a collateral to secure the Renewed CITIC Facilities, as opposed to the ordinary transactions as defined under Chapter 19 of the GEM Listing Rules. The Company previously considered that the transactions of depositing at the China Taiping Insurance and earning interest income from such deposits were of revenue nature. Based on the aforesaid, the Company did not previously consider the Subscription would constitute a notifiable transaction under the GEM Listing Rules and hence had omitted to timely comply with the GEM Listing Rules in respect of the Subscription as disclosed above, the entire incident of which was unintentional and primarily attributable to the different interpretation of the relevant provision under the GEM Listing Rules.

## **SUBSCRIPTION OF INSURANCE POLICY**

On 24 July 2018, a subsidiary of the Company, Janco Global Logistics Limited, placed deposits amounting to HK\$100.0 million in the China Taiping Insurance. The Subscription was for the main purpose of obtaining banking facilities from China CITIC Bank to finance the Group's ordinary and usual course of business.

## **MAJOR TERMS OF THE CHINA TAIPING INSURANCE**

The major terms of the China Taiping Insurance are as follows:

Policy date:	24 July 2018
Policy owner/Beneficiary:	Janco Global Logistics Limited
Insured person:	Mr. Cheng Hon Yat ( <i>Note</i> )
Insured period:	20 years
Premium payment term:	5 years
Annual premium:	HK\$20.0 million
Guaranteed interest rate for prepaid premium:	4.5% per annum

*Note:* The Company is in the process of changing the insured person from Mr. Cheng Hon Yat to Mr. Ng Chin Hung, who is the current executive Director and chairman of the Board.

The China Taiping Insurance is a life insurance of the insured person and the beneficiary is Janco Global Logistics Limited. The particulars of the premium guaranteed return of China Taiping Insurance:

<b>End of Policy Year</b>	<b>Premium (HK\$)</b>	<b>Death of insured person: Guaranteed Insured Sum (HK\$)</b>	<b>Surrender rights: Guaranteed cash value (HK\$)</b>
1	20,000,000	20,200,000	17,800,000
2	40,000,000	40,400,000	37,100,000
3	60,000,000	60,600,000	56,400,000
4	80,000,000	80,800,000	75,700,000
5	100,000,000	107,740,000	103,740,000
6	100,000,000	111,740,000	103,740,000
7	100,000,000	115,740,000	103,740,000
8	100,000,000	119,740,000	103,740,000
9	100,000,000	123,740,000	103,740,000
10	100,000,000	127,740,000	103,740,000
11	100,000,000	131,740,000	103,740,000
12	100,000,000	135,740,000	103,740,000
13	100,000,000	139,740,000	103,740,000
14	100,000,000	143,740,000	103,740,000
15	100,000,000	147,740,000	103,740,000
16	100,000,000	151,740,000	103,740,000
17	100,000,000	155,740,000	103,740,000
18	100,000,000	159,740,000	103,740,000
19	100,000,000	163,740,000	103,740,000
20	100,000,000	167,740,000	103,740,000

#### **FURTHER INFORMATION AND FUTURE PROSPECTS OF THE CHINA TAIPING INSURANCE**

For the year ended 31 December 2018, the Group recognised interest income of approximately HK\$1.5 million in respect of the China Taiping Insurance, and finance cost of approximately HK\$0.8 million in respect of the Renewed CITIC Facilities.

As at the date of this announcement, the Group has received an interest income of HK\$3.2 million pursuant to the China Taiping Insurance and has paid the finance cost amounted to HK\$1.8 million in respect of the Renewed CITIC Facilities.

Since Mr. Cheng Hon Yat has resigned as an executive Director of the Company on 4 October 2019, the Company is in the process of changing the insured person from Mr. Cheng Hon Yat to Mr. Ng Chin Hung, who is the current executive Director and chairman of the Board, while Janco Global Logistics Limited, the major operating subsidiary of the Group, remains as the beneficiary of both insurance policies.

Concerning the future plans of the China Taiping Insurance, the Company intends to hold the China Taiping Insurance until the date of maturity. In view of (i) the guaranteed interest rates of the China Taiping Insurance pursuant to the contract terms; and (ii) the brand name and market capitalisation of China Taiping, the Board considered that the risk of the China Taiping Insurance was minimal.

## **REASONS FOR THE SUBSCRIPTION OF THE CHINA TAIPING INSURANCE**

The Group initially placed a cash deposit of approximately HK\$4.3 million at the China CITIC Bank to finance the bank facility offered by China CITIC Bank with a revolving loan of HK\$8.0 million.

During the second quarter of 2018, the Group was in negotiation with China CITIC Bank to increase the limit of banking facilities. Upon the conclusion of negotiations, the total facility limits of the Renewed CITIC Facilities amounted to HK\$115.5 million, which included a facility limit of HK\$85.5 million in respect of life insurance policy premium financing. In other words, the total facility limits excluding the life insurance policy premium financing amounted to HK\$30.0 million, as compared to facility limit of the expired banking facilities with the same bank of HK\$8.0 million. The Renewed CITIC Facilities contained a condition precedent for the Group to enter into the China Taiping Insurance.

During the negotiation of the terms of the China Taiping Insurance, the Group intended to minimise the breakeven period (i.e. the period to which the insure sum exceeds the premium). In response, China CITIC Bank put forward the China Taiping Insurance whose breakeven period is five years but the total premium would amount to HK\$100.0 million. Upon further negotiation, China CITIC Bank offered to include a facility of HK\$85.5 million to finance the Subscription.

As disclosed in the above paragraphs headed “Major terms of the China Taiping Insurance”, the annual premium of the China Taiping Insurance is HK\$20.0 million and the payment term is 5 years, such that the total premium is HK\$100.0 million. It is also a term of the China Taiping Insurance that an accumulated interest rate of 4.5% per annum, which is significantly higher than the prevailing market interest rate, is guaranteed on the prepaid premium.

In view of the higher interest of the China Taiping Insurance which exceeded the interest payable for the Renewed CITIC Facilities, the Company prepaid all the annual premiums amounting to HK\$100.0 million in the first year by utilising the initial deposit of HK\$4.3 million and the Renewed CITIC Facilities. The interest rate of the Renewed CITIC Facilities was 3.25% per annum below the then prime interest rate, and the actual interest rate of the Renewed CITIC Facilities as at 31 December 2018 was 2.125%.

Thus, the Group entered into the China Taiping Insurance to (i) fulfil the condition precedent of the Renewed CITIC Facilities so as to obtain an increased facility limit to finance the Group’s operations; (ii) earn a higher interest income; and (iii) hedge the risk of the loss that the Group may suffer in the event of unexpected passing away of Mr. Cheng Hon Yat, who was the Company’s controlling shareholder, executive Director and chief executive officer at the material time. The Directors believe that the terms of the China Taiping Insurance are fair and reasonable and in the interests of the Shareholders as a whole.

## **INFORMATION ABOUT THE GROUP**

The Group are a well-established freight forwarding and logistics one-stop service provider founded and based in Hong Kong with a strategic focus in Asia and a history dating back to 1990. The Group's business model is two-fold and principally involves (a) the provision of freight forwarding services through purchasing cargo space from airlines, shipping liners, other freight forwarders or general sales agents and either sell it to direct shippers or on-sell it to other freight forwarders who act on behalf of their shipper customers; and (b) the provision of ancillary logistics services which include customised value-added services for the Group's direct customers. Freight forwarding services form the Group's core business.

## **INFORMATION ABOUT CHINA TAIPING**

China Taiping, a company incorporated in Hong Kong, is a wholly-owned life insurance subsidiary of China Taiping Insurance Holdings Company Limited, a company listed on the Stock Exchange (stock code: 966), to carry on long-term insurance business including life, annuity and permanent health insurance in Hong Kong.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, China Taiping and its ultimate beneficial owners are independent third parties of the Company.

## **IMPLICATIONS UNDER THE GEM LISTING RULES**

As at least one of the applicable percentage ratios calculated pursuant to Rule 19.07 of the GEM Listing Rules in respect of the Subscription is more than 25% but less than 100%, the Subscription constituted a major transaction of the Group under Chapter 19 of the GEM Listing Rules and was subject to the notification, announcement and shareholders' approval requirements under Chapter 19 of the GEM Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, no Shareholder (including Million Venture and Mr. Cheng Hon Yat) nor any of their close associates has a material interest in the Subscription and the China Taiping Insurance. In addition, although Mr. Cheng Hon Yat was the insured person under the China Taiping Insurance, Janco Global Logistics Limited is the sole beneficiary of China Taiping Insurance. As such, no shareholder would be required to abstain from voting if the Company were to convene a general meeting for approving the Subscription. As at the date of this announcement, Million Venture, a controlling shareholder of the Company which is holding 75% of the total issued share capital of the Company and wholly-owned by Mr. Cheng Hon Yat, has provided Shareholder's written approval for the Subscription pursuant to Rule 19.44 of the GEM Listing Rules in lieu of a resolution to be passed at a general meeting of the Company. Accordingly, no general meeting will be convened for the purpose of considering, ratifying and approving the subscription of the China Taiping Insurance pursuant to Rule 19.44 of the GEM Listing Rules.

Further, in light of the fact that the Subscription has already been made and all material information relating to the Subscription has been set forth in this announcement and written approval from majority Shareholders has been obtained, no circular will be dispatched to the Shareholders.

The Company acknowledged that the notification, announcement and Shareholder's approval in respect to the subscription of the China Taiping Insurance as required under Chapter 19 of the GEM Listing Rules had delayed due to revision of the nature of the Subscription by the management of the Company. The failure to make timely disclosure was due to a misunderstanding by the management of the Company that, as (i) the China Taiping Insurance had substantially the same characteristics as other fixed deposits with banks and (ii) the China Taiping Insurance is part of the Group's treasury activities and (iii) the China Taiping Insurance was taken out and pledged as a collateral to secure the Renewed CITIC Facilities, as opposed to the ordinary transactions as defined under Chapter 19 of the GEM Listing Rules. The Company previously considered that the transactions of depositing at the China Taiping Insurance and earning interest income from such deposits were of revenue nature. Based on the aforesaid, the Company did not previously consider the Subscription would constitute a notifiable transaction under the GEM Listing Rules and hence had omitted to timely comply with the GEM Listing Rules in respect of the Subscription as disclosed above.

## **REMEDIAL ACTIONS**

Having regard to the factors above, the Directors consider that the failure to timely make disclosure and fulfil its reporting obligations under the GEM Listing Rules in respect of the Subscription was unintentional and primarily attributable to the different interpretation of the relevant provisions under the GEM Listing Rules and can be avoided going forward. The Company takes the incident seriously and has taken the following remedial measures and actions to prevent the re-occurrence of similar incidents in the future:

- i. conduct internal training sessions on the reporting procedures on notifiable transactions as to the requirement of the GEM Listing Rules and to emphasise the importance of identifying such transactions prior to execution; and
- ii. seek external legal, accounting and other professional advice when appropriate.

The Company will make prudent decision prior to the subscription of insurance policies and/or financial products on the principle of protecting the interests of the Company and the Shareholders as a whole.

Going forward, the Company will consult professional advisers when making material corporation actions and make such disclosure in a timely manner to ensure compliance with the GEM Listing Rules.

## **DEFINITIONS**

Unless otherwise specified, the following terms have the following meanings in this announcement:

“Board”	the board of Directors;
“China CITIC Bank”	China CITIC Bank International Limited;
“China Taiping”	China Taiping Life Insurance (Hong Kong) Company Limited;

“China Taiping Insurance”	a life insurance policy purchased from China Taiping on 24 July 2018;
“Company”	Janco Holdings Limited;
“Directors”	the director(s) of the Company;
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM of the Stock Exchange;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Million Venture”	Million Venture Holdings Limited;
“Renewed CITIC Facilities”	the renewed banking facilities with China CITIC Bank;
“Shareholder(s)”	holder(s) of the share(s) in the share capital of the Company;
“Subscription”	subscription of the China Taiping Insurance;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited; and
“%”	per cent.

By order of the Board  
**Janco Holdings Limited**  
**Ng Chin Hung**  
*Chairman and Executive Director*

Hong Kong, 3 January 2020

*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](http://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](http://www.jancofreight.com).*