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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2022

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

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

*This announcement, 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 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.*

FINANCIAL HIGHLIGHTS

- Revenue of the Group amounted to approximately HK\$512.7 million for the year ended 31 December 2022 (2021: approximately HK\$569.0 million), representing a decrease of approximately 9.9% as compared with the year ended 31 December 2021.
- Profit for the year attributable to owners of the Company is approximately HK\$4.5 million for the year ended 31 December 2022 (2021: approximately HK\$17.3 million), representing a decrease of approximately 74.3% as compared with the year ended 31 December 2021. The decrease in profit for the year attributable to owners of the Company was mainly due to the decrease in gross profit resulting from the decrease in shipment volume of air freight forwarding services and reduction in orders placed for e-commerce fulfillment services.

ANNUAL RESULTS

The board of Directors (the “**Board**”) is pleased to announce the audited consolidated financial results of the Group for the year ended 31 December 2022 (the “**Year**” or “**FY2022**”), together with the comparative figures for the year ended 31 December 2021 (“**FY2021**”). The financial information has been approved by the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue	3	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		4,879	621
Other gains and losses, net		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		(5,827)	(5,377)
Share of profit of a joint venture		713	192
Profit before tax	4	7,126	20,243
Income tax	5	(1,783)	(2,130)
Profit for the year		5,343	18,113
Other comprehensive income/(expense), net of tax:			
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>			
Exchange differences on translating foreign operations		193	(206)
Total comprehensive income for the year		5,536	17,907

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (CONTINUED)**

For the year ended 31 December 2022

	<i>Note</i>	2022 HK\$'000	2021 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		4,452	17,338
Non-controlling interests		891	775
		<u>5,343</u>	<u>18,113</u>
Total comprehensive income			
for the year attributable to:			
Owners of the Company		4,645	17,132
Non-controlling interests		891	775
		<u>5,536</u>	<u>17,907</u>
Earnings per share			
	7		
Basic (HK cents)		<u>0.74</u>	<u>2.89</u>
Diluted (HK cents)		<u>0.74</u>	<u>2.88</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

		As at 31 December 2022	As at 31 December 2021
	<i>Notes</i>	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		9,143	11,389
Computer software		267	210
Deposits placed in life insurance policies	8	5,352	114,650
Right-of-use assets		46,570	47,834
Interest in an associate		–	–
Interest in a joint venture		1,529	816
Deferred tax assets		171	–
Goodwill		61	61
Rental and other deposits	9	1,275	3,306
		64,368	178,266
Current assets			
Inventories		–	370
Trade receivables	9	125,942	129,761
Other receivables, deposits and prepayments	9	17,911	8,950
Deposits placed in life insurance policies	8	115,037	–
Tax recoverable		–	1,392
Pledged bank deposits		17,446	17,438
Bank balances and cash		10,131	14,913
		286,467	172,824

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2022

		As at 31 December 2022	As at 31 December 2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Current liabilities			
Trade payables	<i>10</i>	55,264	61,015
Other payables and accruals	<i>10</i>	31,205	28,906
Loan from a substantial shareholder	<i>11</i>	10,000	–
Due to non-controlling interests		656	656
Contract liabilities		1,206	941
Bank borrowings and overdraft		113,748	133,337
Other borrowing		7,070	–
Lease liabilities		30,488	26,536
Tax payable		2,626	2,337
		<u>252,263</u>	<u>253,728</u>
Net current assets/(liabilities)		<u>34,204</u>	<u>(80,904)</u>
Total assets less current liabilities		<u>98,572</u>	<u>97,362</u>
Non-current liabilities			
Lease liabilities		16,103	20,426
Deferred tax liabilities		633	780
		<u>16,736</u>	<u>21,206</u>
NET ASSETS		<u><u>81,836</u></u>	<u><u>76,156</u></u>
Capital and reserves			
Share capital		6,000	6,000
Reserves		73,059	68,270
		<u>79,059</u>	<u>74,270</u>
Equity attributable to owners of the Company		79,059	74,270
Non-controlling interests		2,777	1,886
		<u>81,836</u>	<u>76,156</u>
TOTAL EQUITY		<u><u>81,836</u></u>	<u><u>76,156</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to owners of the Company						(Accumulated losses)/ retained profits	Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Other reserve	Translation reserve	Share option reserve				
	HK\$'000	HK\$'000	HK\$'000 (Note i)	HK\$'000 (Note ii)	HK\$'000 (Note iii)	HK\$'000 (Note iv)	HK\$'000	HK\$'000	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 (expense)/income for the year	-	-	-	-	(206)	-	17,338	17,132	775	17,907
Equity-settled share option arrangements	-	-	-	-	-	619	-	619	-	619
At 31 December 2021	<u>6,000</u>	<u>47,755</u>	<u>17,659</u>	<u>4,658</u>	<u>(627)</u>	<u>1,112</u>	<u>(2,287)</u>	<u>74,270</u>	<u>1,886</u>	<u>76,156</u>
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	-	-	-	-	-	144	-	144	-	144
Share options lapsed	-	-	-	-	-	(894)	894	-	-	-
At 31 December 2022	<u>6,000</u>	<u>47,755</u>	<u>17,659</u>	<u>4,658</u>	<u>(434)</u>	<u>362</u>	<u>3,059</u>	<u>79,059</u>	<u>2,777</u>	<u>81,836</u>

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 of the Company, 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.
- (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.

NOTES

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.

2. ADOPTION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

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

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. 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.

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 warehousing	E-Commerce	Elimination	Total
	Air Freight	Ocean Freight				
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	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)	–
	<u>122,756</u>	<u>94,572</u>	<u>234,091</u>	<u>169,132</u>	<u>(107,879)</u>	<u>512,672</u>
Segment results	<u>12,666</u>	<u>14,967</u>	<u>36,818</u>	<u>9,037</u>	<u>–</u>	<u>73,488</u>
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						<u>7,126</u>
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)	–
	<u>241,162</u>	<u>112,317</u>	<u>140,060</u>	<u>233,774</u>	<u>(158,351)</u>	<u>568,962</u>
Segment results	<u>20,834</u>	<u>10,648</u>	<u>25,433</u>	<u>19,809</u>	<u>–</u>	<u>76,724</u>
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						<u>20,243</u>

Segment results mainly represented profit before taxation earned by each segment without allocation of interest income, other income, other gains and losses, administrative expenses, impairment loss on trade receivables, share-based payment expenses, 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.

Geographical information

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

4. PROFIT BEFORE TAX

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
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
Impairment loss on inventories	350	40
Directors' remuneration	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
	<u>60,541</u>	<u>75,795</u>
Total staff costs	<u>60,541</u>	<u>75,795</u>

5. INCOME TAX

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

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.

6. 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.

7. EARNINGS PER SHARE

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Earnings attributable to owners of the Company for the purpose of calculating basic and diluted earnings per share	<u>4,452</u>	<u>17,338</u>
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	<u>—</u>	<u>1,574,773</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>600,000,000</u>	<u>601,574,773</u>

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.

8. DEPOSITS PLACED IN LIFE INSURANCE POLICIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Deposits placed in life insurance policies:		
— Non-current portion	5,352	114,650
— Current portion	<u>115,037</u>	<u>—</u>
	<u>120,389</u>	<u>114,650</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
At 1 January	114,650	111,769
Accrued interest earned during the year	2,953	2,881
Change arising from change in cash flow estimates	<u>2,786</u>	<u>—</u>
At 31 December	<u>120,389</u>	<u>114,650</u>

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

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 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 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.

9. TRADE AND OTHER RECEIVABLES

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

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 ageing 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 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
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	<u>28,806</u>	<u>13,059</u>
	125,942	129,761

10. TRADE AND OTHER PAYABLES

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

In general, the credit period on trade payables is 15 to 30 days.

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
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	<u>15,442</u>	<u>8,138</u>
	<u><u>55,264</u></u>	<u><u>61,015</u></u>

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

11. 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.

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 FY2022, 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.

FINANCIAL REVIEW

Overview

Our revenue was predominately generated from our freight forwarding services, logistics and warehousing services, and e-commerce fulfillment services. For FY2022 and 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.

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.

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.

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 3 to the consolidated financial statements in this announcement.

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.

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, Janco Global Logistics Limited (“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 <i>HK\$'000</i>	Changes arising from change of cash flow estimates during the year <i>HK\$'000</i>	Accrued interest earned during the year <i>HK\$'000</i>	Carrying amount as at 31 December 2022 <i>HK\$'000</i>	Percentage to the Group's total assets as at 31 December 2022
China Taiping Insurance	<u>109,368</u>	<u>2,786</u>	<u>2,883</u>	<u>115,037</u>	<u>32.8%</u>

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 “**Audit Committee**”), the nomination committee (the “**Nomination Committee**”) and the remuneration committee (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.

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.

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.

LITIGATIONS

Winding-up petitions

Winding-up petitions brought against JGL and Transpeed Hong Kong Limited

On 21 April 2022, each of JGL and Transpeed Hong Kong Limited (“**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.

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.

MATERIAL CHANGES

Save as disclosed in this announcement, there have been no material changes in respect of any other matters since the publication of the Company’s annual report for FY2022.

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

The forthcoming annual general meeting (the “**2023 AGM**”) of the Company is scheduled to be held on Wednesday, 21 June 2023 at 10:00 a.m.. A notice convening the 2023 AGM will be issued and despatched to the Shareholders according to the Articles of Association of the Company.

CLOSURE OF REGISTER OF MEMBERS

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.

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. Moy Yee Wo Matthew, Mr. Chan William, 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.

SCOPE OF WORK OF MCMILLAN WOODS (HONG KONG) CPA LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group’s auditors, McMillan Woods (Hong Kong) CPA Limited (“**McMillan Woods**”), to the amounts set out in the Group’s audited consolidated financial statements for the Year. The work performed by McMillan Woods in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by McMillan Woods on the preliminary announcement.

EVENTS AFTER THE REPORTING PERIOD

On 17 January 2023, McMillan Woods was appointed as the auditor of the Company following the resignation of McM (HK) CPA Limited with effect from 17 January 2023. For further details, please refer to 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 announcement.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our Shareholders, business partners and customers for their utmost support to the Group. I would also like to take this opportunity to thank all management members and staff for their hard work and dedication throughout the Year.

By order of the Board
Janco Holdings Limited
Chan Kin Chung
Chairman

Hong Kong, 22 March 2023

As at the date of this announcement, the executive Directors are Mr. Cheng Tak Yuen and Mr. Heung Ka Lok, the non-executive Director is Mr. Chan Kin Chung (Chairman) and the independent non-executive Directors are Mr. Chan William, Mr. Moy Yee Wo Matthew, Mr. Law Wing Tak Jack and Mr. Yu Kwok Fai.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 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 the “Latest Company Announcements” page of the Stock Exchange’s website (www.hkexnews.hk) for at least 7 days from the date of its publication. This announcement will also be published on the Company’s website (www.jancofreight.com).