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EVER HARVEST GROUP HOLDINGS LIMITED

永豐集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1549)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the “Board”) of directors (the “Directors”) of Ever Harvest Group Holdings Limited (the “Company”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “Group”) for the year ended 31 December 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Revenue	4	336,704	336,962
Cost of services		(288,895)	(283,165)
Gross profit		47,809	53,797
Other income	5	15,126	3,231
Administrative and other operating expenses		(59,064)	(61,116)
Finance costs	6	(1,359)	(1,059)
Profit (Loss) before tax	6	2,512	(5,147)
Income tax expenses	7	(910)	(83)
Profit (Loss) for the year		1,602	(5,230)
Earnings (Loss) per share		<i>HK cents</i>	<i>HK cents</i>
Basic	9	0.11	(0.37)
Diluted	9	0.11	(0.37)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Profit (Loss) for the year	1,602	(5,230)
Other comprehensive expenses, net of tax <i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on consolidation	<u>(636)</u>	<u>(1,991)</u>
Total comprehensive income (expenses) for the year	<u>966</u>	<u>(7,221)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	<i>Note</i>	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	10	<u>104,301</u>	<u>88,592</u>
Current assets			
Financial assets at fair value through profit or loss		–	6,136
Trade and other receivables	11	61,624	51,710
Pledged bank deposits		1,962	795
Income tax recoverable		632	632
Bank balances and cash		<u>74,087</u>	<u>73,035</u>
		<u>138,305</u>	<u>132,308</u>
Current liabilities			
Trade and other payables	12	79,995	66,417
Obligations under finance leases		–	495
Income tax payable		7,634	7,768
Interest-bearing borrowings	13	38,548	33,141
Lease liabilities		<u>998</u>	<u>–</u>
		<u>127,175</u>	<u>107,821</u>
Net current assets		<u>11,130</u>	<u>24,487</u>
Total assets less current liabilities		<u>115,431</u>	<u>113,079</u>
Non-current liabilities			
Lease liabilities		<u>1,386</u>	<u>–</u>
NET ASSETS		<u><u>114,045</u></u>	<u><u>113,079</u></u>
Capital and reserves			
Share capital		14,000	14,000
Reserves		<u>100,045</u>	<u>99,079</u>
TOTAL EQUITY		<u><u>114,045</u></u>	<u><u>113,079</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2019

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 15 October 2015 and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 6 July 2016. The Company’s immediate and ultimate holding company is Ever Winning Investment Company Limited, a company with limited liability incorporated in the British Virgin Islands (the “BVI”). The ultimate controlling party of the Group is Mr. Lau Yu Leung (the “Ultimate Controlling Party”). The registered office of the Company is situated at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KY1-1108, Cayman Islands. The Company’s principal place of business is situated at 17/F., Excel Centre, 483A Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

The principal activity of the Company is to act as an investment holding company. The Group is principally engaged in rendering of sea freight transportation and freight forwarding services in Hong Kong and in the People’s Republic of China (the “PRC”).

2. PRINCIPAL ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure requirements under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company, and rounded to the nearest thousands unless otherwise indicated.

The consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2018 consolidated financial statements, except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year. Except for HKFRS 16 as disclosed below, the adoption of the new/revised HKFRSs did not have significant impact on the consolidated financial statements.

Adoption of new/revised HKFRSs

HKFRS 16 “Leases”

HKFRS 16 replaces HKAS 17 and related Interpretations for annual periods beginning on or after 1 January 2019. It significantly changes, among others, the lessee accounting by replacing the dual-model under HKAS 17 with a single model which requires a lessee to recognise right-of-use assets and lease liabilities for the rights and obligations created by all leases with a term of more than 12 months, unless the underlying asset is of low value. For lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. HKFRS 16 also requires enhanced disclosures to be provided by lessees and lessors.

In accordance with the transitional provisions, the Group has applied HKFRS 16 for the first time at 1 January 2019 (i.e. the date of initial application, the “DIA”) using the modified retrospective approach in which comparative information has not been restated. Instead, the Group recognised the cumulative effect of initially applying HKFRS 16 as an adjustment to the balance of accumulated profits or other component of equity, where appropriate, at the DIA.

The Group also elected to use the transition practical expedient not to reassess whether a contract was, or contained, a lease at the DIA and the Group applied HKFRS 16 only to contracts that were previously identified as leases applying HKAS 17 and to contracts entered into or changed on or after the DIA that are identified as leases applying HKFRS 16.

Before the adoption of HKFRS 16, lease contracts were classified as operating or finance lease in accordance with the Group’s accounting policies applicable prior to the DIA.

Upon adoption of HKFRS 16, the Group accounted for the leases in accordance with the transition provisions of HKFRS 16 and the Group’s accounting policies applicable from the DIA.

The Group recognised right-of-use assets (included in property, plant and equipment) and lease liabilities for leases previously classified as operating leases at the DIA, except for leases for which the underlying asset is of low value, and the Group applied the following practical expedients on a lease-by-lease basis:

- (a) applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- (b) adjusted the right-of-use assets at the DIA by the provision for onerous leases recognised immediately before the DIA by applying HKAS 37, as an alternative to performing an impairment review at the DIA.
- (c) did not recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the DIA.
- (d) excluded initial direct costs from the measurement of the right-of-use assets at the DIA.
- (e) used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

At the DIA, except for those that were previously or will be accounted for as investment property using the fair value model, right-of-use assets were, on a lease-by-lease basis, measured at either:

- (a) their carrying amount as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the DIA; or
- (b) an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised immediately before the DIA.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the DIA. The weighted average incremental borrowing rate applied to the lease liabilities at the DIA is 4.75%.

Reconciliation of operating lease commitments disclosed applying HKAS 17 at 31 December 2018 and lease liabilities recognised at the DIA is as follows:

	<i>HK\$'000</i>
Operating lease commitment at 31 December 2018	9,510
Less: Short-term leases with remaining lease term ending on or before 31 December 2019	<u>(7,626)</u>
Operating leases commitment at 31 December 2018 in relation to long-term lease properties	1,884
Less: Future finance charges	<u>(175)</u>
Discounted using the Group's incremental borrowing rate at the DIA	1,709
Add: Liabilities for leases previously classified as finance leases	<u>495</u>
Lease liabilities recognised at 1 January 2019 discounted using the incremental borrowing rate	<u><u>2,204</u></u>

As lessee-leases previously classified as finance leases

The Group measures the carrying amount of the right-of-use assets and lease liabilities at the DIA at the carrying amount of the lease assets and lease liabilities immediately before that date measured applying HKAS 17. The Group accounts for those leases applying HKFRS 16 from the DIA.

At the DIA, all right-of-use assets were presented within the line item "property, plant and equipment" on the consolidated statement of financial position. Besides, lease liabilities including those previously presented under "obligations under finance leases" were shown separately on the consolidated statement of financial position.

As a result, transfer was made at the DIA to reflect the changes in presentation:

	Carrying amounts on 31 December 2018 under HKAS 17 HK\$'000	Adjustments HK\$'000	Carrying amounts on 1 January 2019 under HKFRS 16 HK\$'000
Non-current assets			
Property, plant and equipment (Owned containers under finance leases)	1,706	(1,706)	–
Property, plant and equipment (Leased properties)	–	1,709	1,709
Property, plant and equipment (Leased containers)	–	1,706	1,706
	<u>1,706</u>	<u>1,709</u>	<u>3,415</u>
Current liabilities			
Obligations under finance leases	495	(495)	–
Lease liabilities	–	1,498	1,498
	<u>495</u>	<u>1,003</u>	<u>1,498</u>
Non-current liabilities			
Lease liabilities	–	706	706

Basis of measurement

The measurement basis used in the preparation of the consolidated financial statements is historical cost, except for financial assets at fair value through profit or loss, which are measured at fair value.

Future changes in HKFRSs

At the date of authorisation of the consolidated financial statements, the HKICPA has issued the following new/revised HKFRSs that are not yet effective for the current year, which the Group has not early adopted.

Amendments to HKASs 1 and 8	Definition of Material ¹
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform ¹
Amendments to HKFRS 3 HKFRS 17	Definition of a Business ² Insurance Contracts ³
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2020

² Effective for acquisitions that occur on or after the beginning of the first annual period beginning on or after 1 January 2020

³ Effective for annual periods beginning on or after 1 January 2021

⁴ The effective date to be determined

The management does not anticipate that the adoption of these new/revised HKFRSs in future periods will have any material impact on the financial performance and financial position of the Group.

3. SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision-makers. The executive directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The executive directors assess the performance of the Group's business from a route perspective for the feeder shipping services, the carrier owned container services and the barge services and a collective perspective for sea freight forwarding agency services.

Segment results represent the gross profit earned or gross loss incurred by each segment without allocation of other income, administrative and other operating expenses, finance costs and income tax expenses.

No analysis of the Group's assets and liabilities by operating segments is presented as it is not regularly provided to the chief operating decision-makers for review.

	Sea freight forwarding agency services	Fujian routes	Guangxi routes	Guangdong routes	Hainan routes	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2019							
Revenue from external customers	39,343	48,255	134,802	72,301	42,003	–	336,704
Cost of services	(33,063)	(43,590)	(112,178)	(63,200)	(36,864)	–	(288,895)
Segment results	<u>6,280</u>	<u>4,665</u>	<u>22,624</u>	<u>9,101</u>	<u>5,139</u>	<u>–</u>	<u>47,809</u>
<i>Unallocated income and expenses</i>							
Other income							15,126
Administrative and other operating expenses							(59,064)
Finance costs							(1,359)
Profit before tax							2,512
Income tax expenses							(910)
Profit for the year							<u>1,602</u>
<i>Other information</i>							
Depreciation	<u>–</u>	<u>478</u>	<u>1,190</u>	<u>1,755</u>	<u>426</u>	<u>4,349</u>	<u>8,198</u>
Lease payments under short-term leases	<u>–</u>	<u>9,663</u>	<u>18,895</u>	<u>7,696</u>	<u>8,382</u>	<u>528</u>	<u>45,164</u>
Capital expenditures	<u>–</u>	<u>–</u>	<u>–</u>	<u>19,450</u>	<u>–</u>	<u>3,495</u>	<u>22,945</u>

	Sea freight forwarding agency services	Fujian routes	Guangxi routes	Guangdong routes	Hainan routes	Unallocated	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2018							
Revenue from external customers	28,334	55,744	133,437	83,488	35,959	–	336,962
Cost of services	(22,696)	(49,812)	(106,421)	(72,364)	(31,872)	–	(283,165)
Segment results	<u>5,638</u>	<u>5,932</u>	<u>27,016</u>	<u>11,124</u>	<u>4,087</u>	<u>–</u>	<u>53,797</u>
<i>Unallocated income and expenses</i>							
Other income							3,231
Administrative and other operating expenses							(61,116)
Finance costs							(1,059)
Loss before tax							(5,147)
Income tax expenses							(83)
Loss for the year							<u>(5,230)</u>
<i>Other information</i>							
Depreciation	<u>–</u>	<u>544</u>	<u>1,217</u>	<u>785</u>	<u>373</u>	<u>4,198</u>	<u>7,117</u>
Operating lease payments	<u>–</u>	<u>13,393</u>	<u>15,883</u>	<u>8,811</u>	<u>10,445</u>	<u>2,477</u>	<u>51,009</u>
Capital expenditures	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,114</u>	<u>4,114</u>

4. REVENUE

	2019	2018
	HK\$'000	HK\$'000
<u>Revenue from contracts with customers within HKFRS 15, recognised over time</u>		
Rendering of feeder shipping services	263,540	266,507
Rendering of carrier owned container services	32,689	42,121
Rendering of sea freight forwarding agency services	39,343	28,334
Rendering of barge services	1,132	–
	<u>336,704</u>	<u>336,962</u>

5. OTHER INCOME

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Bank interest income	238	145
Dividend income from financial assets at fair value through profit or loss	210	–
Exchange gain, net	250	1,017
Net fair value gain on financial assets at fair value through profit or loss	3,785	1,210
Gain on disposals of property, plant and equipment	4,003	–
Government grants (<i>Note</i>)	4,592	610
Sales of scrap containers	959	69
Sundry income	1,089	180
	<u>15,126</u>	<u>3,231</u>

Note: These government grants were mainly the incentives for rewarding our efforts in stabilising container shipping capacity and laden containers, and were in the sole discretion of the local government, subject to relevant PRC laws, regulations and policies

6. PROFIT (LOSS) BEFORE TAX

This is stated after charging:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Finance costs		
Interest on interest-bearing borrowings	1,252	958
Finance charges on obligations under finance leases	–	101
Finance charges on lease liabilities	107	–
	<u>1,359</u>	<u>1,059</u>
Other items		
Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	32,999	32,443
Contributions to defined contribution plans	3,801	4,226
	<u>36,800</u>	<u>36,669</u>
Auditor's remuneration	900	890
Depreciation (charged to "Cost of services" and "Administrative and other operating expenses", as appropriate)	8,198	7,117
Operating lease payments on feeder vessels and barges (charged to "Cost of services")	–	48,532
Lease payments on feeder vessels and barges under short-term leases (charged to "Cost of services")	44,636	–
Operating lease payments on premises	–	2,477
Lease payments on premises under short-term leases	528	–
	<u>528</u>	<u>–</u>

7. TAXATION

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
Current year	–	227
Under (Over) provision in prior years	<u>910</u>	<u>(144)</u>
	910	83
PRC Enterprise Income Tax		
Current year	<u>–</u>	<u>1,203</u>
	<u>910</u>	<u>1,286</u>
Deferred tax		
Changes in temporary differences	<u>–</u>	<u>(1,203)</u>
Total income tax expenses for the year	<u><u>910</u></u>	<u><u>83</u></u>

The group entities established in the Cayman Islands and the BVI are exempted from income tax.

For the year ended 31 December 2019, Hong Kong Profits Tax has not been provided as the Group has no assessable profits for the year, except one of the subsidiaries in Hong Kong with estimated assessable profits for the year being wholly absorbed by unrelieved tax losses brought forward from previous years.

For the year ended 31 December 2018, the assessable profits of a Hong Kong incorporated subsidiary of the Group (as elected by the management of the Group) was subject to the two-tiered profits tax rates regime that the first HK\$2 million of assessable profits would be taxed at 8.25%, and assessable profits above HK\$2 million would be taxed at 16.5%. The Hong Kong Profits Tax of other Hong Kong incorporated subsidiaries of the Group was calculated at 16.5% of their respective estimated assessable profits for the year ended 31 December 2018.

The Group's entities established in the PRC are subject to Enterprise Income Tax of the PRC at a statutory rate of 25% for the years ended 31 December 2019 and 2018. For the year ended 31 December 2019, PRC Enterprise Income Tax has not been provided as the Group has no assessable profits.

8. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2019 (2018: nil).

9. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share attributable to the equity holders of the Company is based on the following data:

	Year ended 31 December	
	2019	2018
	HK\$'000	HK\$'000
Earnings (Loss)		
Profit (Loss) for the year attributable to the equity holders of the Company for the purpose of basic earnings (loss) per share	1,602	(5,230)
	2019	2018
Number of shares	'000	'000
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	1,400,000	1,400,000

Diluted earnings (loss) per share is same as basic earnings (loss) per share as there were no potential ordinary shares outstanding during years ended 31 December 2019 and 2018.

10. PROPERTY, PLANT AND EQUIPMENT

At 31 December 2019 and 2018, the Group had four vessels under the usage priority agreements. According to the usage priority agreements, the Group has the exclusive preferential right to use these four vessels and to acquire the interests or obtain the sales proceeds of disposal, which has to be approved by the Group in advance, of these four vessels. The Group considers that it, in substance, is able to use these four vessels and obtain the future economic benefits through the usage of these four vessels physically as if it was the legal owners throughout the period covered by the usage priority agreements. Accordingly, the aggregate net carrying amount of approximately HK\$5,246,000 (2018: HK\$5,887,000) was recorded under property, plant and equipment.

At 31 December 2019, leasehold land and buildings with an aggregate net book value of approximately HK\$66,927,000 (2018: HK\$69,358,000) were pledged to secure banking facilities granted to the Group.

11. TRADE AND OTHER RECEIVABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade receivables		
From third parties	53,231	45,205
Loss allowance	(3,237)	(3,237)
	49,994	41,968
Other receivables		
Deposits, prepayments and other debtors	11,630	9,742
	61,624	51,710

All of the trade and other receivables that are classified as current assets are expected to be recovered or recognised as expense within 12 months.

The loss allowance of approximately HK\$3,237,000 (2018: HK\$3,237,000) as at 31 December 2019 was mainly and specifically resulted from a then major customer who was in the process of bankruptcy and liquidation.

The Group normally grants credit terms up to 90 days (2018: up to 90 days) to its customers. The ageing analysis of trade receivables, net of loss allowance, by invoice date is as follows:

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Within 30 days	25,465	17,784
31 – 60 days	14,779	13,676
61 – 90 days	5,506	6,144
Over 90 days	4,244	4,364
	49,994	41,968

At 31 December 2019, amount of approximately HK\$9,779,000 (2018: HK\$5,342,000) included in the trade receivables were in connection with invoice discounting bank loan arrangements.

12. TRADE AND OTHER PAYABLES

	2019 <i>HK\$'000</i>	2018 <i>HK\$'000</i>
Trade payables		
To a related company	–	1,353
To third parties	<u>55,040</u>	<u>41,696</u>
	<u>55,040</u>	<u>43,049</u>
Other payables		
Accrued charges and other creditors	14,016	13,299
Deposits received	10,492	10,069
Due to the Ultimate Controlling Party	<u>447</u>	<u>–</u>
	<u>24,955</u>	<u>23,368</u>
	<u>79,995</u>	<u>66,417</u>

The trade payables due to a related company ultimately controlled by the Ultimate Controlling Party are unsecured, interest-free and have a credit period of 30 days.

The trade payables due to third parties are unsecured, interest-free and have a credit period of 30 days to 90 days.

At the end of the reporting period, the ageing analysis of trade payables by invoice date is as follows:

	2019	2018
	HK\$'000	HK\$'000
Within 30 days	33,894	25,588
31 – 60 days	13,169	12,505
61 – 90 days	5,608	2,195
Over 90 days	2,369	2,761
	<u>55,040</u>	<u>43,049</u>

13. INTEREST-BEARING BORROWINGS

	2019	2018
	HK\$'000	HK\$'000
Secured bank borrowings:		
Current portion	38,548	33,141
	<u>38,548</u>	<u>33,141</u>

- (i) Bank borrowings of approximately HK\$9,779,000 (2018: HK\$5,342,000) bear interests at Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.875% per annum (2018: HIBOR plus 1.875% per annum) and are wholly repayable within one year since inception. The bank borrowings are secured by trade receivables of approximately HK\$9,779,000 (2018: HK\$5,342,000) in connection with invoice discounting bank loan arrangements.
- (ii) A bank borrowing of approximately HK\$5,000,000 (2018: HK\$3,000,000) bears interest at HIBOR plus 2% per annum (2018: HIBOR plus 1.4% per annum) and is wholly repayable within one year since inception. The bank borrowing is secured by the leasehold land and buildings of the Group of aggregate net carrying amount of approximately HK\$66,927,000 (2018: HK\$69,358,000).
- (iii) A mortgage loan of approximately HK\$23,769,000 (2018: HK\$24,799,000) bears interest at the lower of HIBOR plus 1.25% per annum and the Hong Kong Dollar Prime Rate minus 2.7% per annum (2018: lower of HIBOR plus 1.25% per annum and the Hong Kong Dollar Prime Rate minus 2.7% per annum), and is wholly repayable over five years. The mortgage loan is secured by the leasehold land and buildings of the Group of aggregate net carrying amount of approximately HK\$66,927,000 (2018: HK\$69,358,000).

The mortgage loan, with a clause in the terms that gives the lender an overriding right to demand repayment without notice at its sole discretion, is classified as current liabilities even though the management does not expect that the lender would exercise their rights to demand repayment.

The range of effective interest rates on the interest-bearing borrowings were 2.7% to 4.7% (2018: 2.4% to 4.2%) per annum. All the interest-bearing borrowings are denominated in HK\$.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The Group is pleased to report the results for the year ended 31 December 2019.

During the year ended 31 December 2019, the Group recorded a revenue of approximately HK\$336,704,000 (for the year ended 31 December 2018: approximately HK\$336,962,000), similar to the same period last year. The Group recorded a gross profit of approximately HK\$47,809,000 (for the year ended 31 December 2018: approximately HK\$53,797,000), representing a decrease of 11.1% over the same period last year. The gross profit margin decreased from 16.0% to 14.2%. The Group recorded profit for the year of approximately HK\$1,602,000 (for the year ended 31 December 2018: loss for the year of approximately HK\$5,230,000).

BUSINESS OVERVIEW

During the year ended 31 December 2019, container throughput of Hong Kong port decreased by 6.6% as compared with the same period last year, according to the data released by Marine Department of the Government of the Hong Kong Special Administrative Region of the PRC.

Impacted by the tough operational environment, including the continuous price competition among the peers and the uncertainty over the Sino-US trade war, the Group's feeder shipping services, carrier owned container services and barge services recorded a decrease in revenue of approximately HK\$11,267,000 or 3.7% from approximately HK\$308,628,000 to approximately HK\$297,361,000, and a decrease in gross profit of approximately HK\$6,630,000 or 13.8%, from approximately HK\$48,159,000 to approximately HK\$41,529,000, for the year ended 31 December 2019, as compared to the same period last year. Due to keen price competition, the Group recorded gross profit margin of the routes ranged from 9.7% to 16.8% for the year ended 31 December 2019 (for the year ended 31 December 2018: ranged from 10.6% to 20.2%).

The Group's sea freight forwarding agency services recorded an increase in revenue of such services of approximately HK\$11,009,000 or 38.9%, from approximately HK\$28,334,000 to approximately HK\$39,343,000, for the year ended 31 December 2019, as compared to the same period last year. The gross profit margin decreased from 19.9% to 16.0%.

The following table sets out the breakdown of revenue and twenty foot equivalent units (the “TEUs”) by segment for the year:

	Year ended 31 December					
	2019			2018		
	<i>HK\$'000</i>	TEUs	Gross profit margin %	<i>HK\$'000</i>	TEUs	Gross profit margin %
Fujian routes	48,255	37,731	9.7	55,744	40,533	10.6
Guangxi routes	134,802	142,650	16.8	133,437	132,480	20.2
Guangdong routes	72,301	146,818	12.6	83,488	151,946	13.3
Hainan routes	42,003	28,279	12.2	35,959	26,587	11.4
Sea freight forwarding agency services	39,343	10,961	16.0	28,334	9,966	19.9
	336,704	366,439	14.2	336,962	361,512	16.0

The Group’s operational costs totalled approximately HK\$288,895,000, representing an increase of approximately HK\$5,730,000 or 2.0% as compared with the same period last year. The change in operational costs was mainly due to increased costs of sea freight forwarding agency services as compared to the same period last year.

The Group’s other income totalled approximately HK\$15,126,000, representing an increase of approximately HK\$11,895,000 as compared to the same period last year. The change in other income was mainly due to gain on disposal of property, plant and equipment of approximately HK\$4,003,000, net fair value gain on financial assets at fair value through profit or loss of approximately HK\$3,785,000 and the government grants of approximately HK\$4,592,000 for the year ended 31 December 2019. The government grants were mainly incentives for rewarding the Group’s efforts in stabilising container shipping capacity and lumber containers, and were in the sole discretion of the local government, subject to relevant PRC laws, regulations and policies.

PROSPECTS

The Group has been facing various challenges including the instability in the global trade market brought by the Sino-US trade war, and the keen price competition among regional shipping carriers. In addition, the outbreak of Coronavirus Disease 2019 (“COVID-19”) has created a worrying impact on the global economy. Throughout our long history in the waterborne trade market, we experienced several economic cycles and industry storms, and thrived to expand our shipping network by capitalising on market opportunities. In order to maximise and safeguard the interest of our shareholders, the Group has planned ahead for the upcoming challenges and set our investment strategies cautiously.

Extend the reach of routes and routes rearrangement

The Group is headquartered in Hong Kong and has grown to become a regional shipping carrier with points of operation in Hong Kong, Fujian Province, Guangdong Province, Guangxi Zhuang Autonomous Region and Hainan Province. To broaden the customer base and diversify the operating risk, the Group has been continuously exploring possible extension of routes in new ports located in the southern China. After our evaluation, profit margins of previous targeted ports are unsatisfactory due to various adverse factors. The Group will continue to seek opportunities in new ports and strive to diversify source of income.

During 2019, the Group experienced low gross profit margin for our regular routes in Fujian Province. It brings to the concern of the Board regarding the utilisation rates of our vessels. After reviewing the shipping volume of our points of operation, the Group rearranged its shipping routes and strived to increase the utilisation rate of each voyage and vessel. The Group continues to monitor vessel utilisation closely and takes all possible measures to enhance the cost efficiency.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group generally finances its operations with internally generated cash flow and banking facilities provided by its principal bankers in Hong Kong. As at 31 December 2019, the Group held bank balances and cash of approximately HK\$74,087,000 (31 December 2018: approximately HK\$73,035,000). The Group had a mortgage loan of approximately HK\$23,769,000 at 31 December 2019 (31 December 2018: approximately HK\$24,799,000) and was wholly repayable over five years. Also, the Group had other bank borrowings of approximately HK\$14,779,000 at 31 December 2019 (31 December 2018: approximately HK\$8,342,000) and were wholly repayable within one year since inception. The range of effective interest rates on the borrowings were 2.7% to 4.7% (for the year ended 31 December 2018: 2.4% to 4.2%) per annum. The carrying amounts of bank borrowings were denominated in Hong Kong dollars. The Group's gearing ratio as at 31 December 2019, calculated based on the total borrowings to the equity attributable to owners of the Company, was 35.9% (31 December 2018: 29.7%). We believe that the Group's cash holding, liquid asset value, future revenue and available banking facilities will be sufficient to fulfill the working capital requirements of the Group. There has been no material change in the capital structure of the Company during the year ended 31 December 2019. The capital of the Company comprises the Shares and other reserves.

Treasury policies

The Group has adopted a prudent financial and surplus funds management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 December 2019. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the sufficient financial resources are available in order to meet its funding requirements and commitment timely.

Hedging and exchange rate exposure

The majority of the transactions, assets and liabilities of the Group was made in HK\$, Renminbi and US dollars. During the year ended 31 December 2019, no financial instruments were used for hedging purposes, and the Group did not commit to any financial instruments to hedge its exposure to exchange rate risk, as the expected exchange rate risk is not significant. The Directors and senior management will continue to monitor the foreign exchange exposure and will consider applicable derivatives when necessary. The Group did not have any derivatives for hedging against the foreign exchange rate risk as at 31 December 2019.

Charge on group assets

As at 31 December 2019, leasehold land and building amounting to approximately HK\$66,927,000 (31 December 2018: approximately HK\$69,358,000), trade receivables amounted at approximately HK\$9,779,000 (31 December 2018: approximately HK\$5,342,000) in connection with invoice discounting bank loan arrangements and bank deposits amounting to approximately HK\$1,962,000 (31 December 2018: approximately HK\$795,000) were pledged as security for bank facilities.

Contingent liabilities

As at 31 December 2019, the Group had no contingent liabilities.

Dividend Policy

The declaration and payment of shareholder dividends and the amount thereof are at the discretion of the Board and depend upon various factors, including the results of operations, financial condition and future prospects of the Company and taking into account regulatory restrictions on the payment of shareholder dividends, as well as any other factors deemed relevant by the Board. The policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

USE OF PROCEEDS

The below table sets out the proposed applications of the net proceeds set out in the section “Future Plans and Use of Proceeds” of the prospectus dated 23 June 2016 (the “Prospectus”) (based on the final offer price of HK\$0.315) and the announcements dated 19 May 2017 and 10 December 2018 regarding the change in use of proceeds, usage and amount not yet utilised up to the date of this announcement:

	Proposed application <i>HK\$' million</i>	Actual usage up to the date of this announcement <i>HK\$' million</i>	Amount not yet utilised up to the date of this announcement <i>HK\$' million</i>
Acquisition of barges	19.45	19.45	–
Operating expenses of barges	10.00	6.73	3.27
Acquisition of headquarter in Hong Kong	32.20	32.20	–
Acquiring additional containers and upgrading computer system and software	7.00	6.61	0.39
General working capital	11.65	11.65	–
	<u>80.30</u>	<u>76.64</u>	<u>3.66</u>

The proceeds were used and are expected to be used in accordance with the intentions previously disclosed in the Prospectus and the announcement of the Company dated 10 December 2018.

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2019, the Group did not hold any significant investment in equity interest in any other company.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2019, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the announcement of the Company dated 10 December 2018 and the Prospectus, the Group did not have other future plans for material investments and capital assets.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2019, the Group has a total of 191 employees (31 December 2018: total 192 employees). The Group's remuneration policy is to compensate its employees based on their performance, qualifications and the Group's operating results. The total remuneration of employees includes basic salaries and cash bonus.

Directors and senior management of the Group receive compensation in the form of fees, salaries, allowances, discretionary bonus, defined contribution plans and other benefits in kind with reference to those paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses its Directors and senior management for expenses which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation packages (including incentive plans) of its Directors and senior management, by reference to, among other things, market level of remuneration and compensation paid by comparable companies, the respective responsibilities of its Directors and senior management and the performance of the Group.

The Company has adopted a share option scheme as incentive to Directors and eligible employees.

FINAL DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31 December 2019.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and the annual results of the Group for the year ended 31 December 2019.

The figures in respect of the Company's consolidated statement of financial position, consolidated income statement and other comprehensive income, and related notes thereto for the year ended 31 December 2019 as set out in the announcement have been agreed by the Company's auditors, Mazars CPA Limited ("Mazars"), to the amounts set out in the Company's audited consolidated financial statements for the year ended 31 December 2019. The work performed by Mazars in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Mazars on the announcement.

CORPORATE GOVERNANCE PRACTICES

Adapting and adhering to recognised standards of corporate governance principles and practices has always been one of the top priorities of the Company. The Board believes that good corporate governance is one of the areas that lead to the success of the Company and in balancing the interests of shareholders, customers and employees, and the Board is devoted to ongoing enhancements of the efficiency and effectiveness of such principles and practices.

During the year ended 31 December 2019, the Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Listing Rules.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

In view of the outbreak of COVID-19 in January 2020 in the PRC, the PRC authority has taken nation-wide prevention and control measures. The COVID-19 has certain impacts on the business operation of the Group and the global economy in general. The extent of such impacts depends on the duration of the pandemic and the implementation of regulatory policies and relevant protective measures. The Group would closely monitor the development and status of the outbreak of the COVID-19 and continue to assess its impacts on the financial position and operating results of the Group and take necessary actions to mitigate any potential impact brought by the outbreak of COVID-19. Up to the date of this announcement, the assessment is still in progress.

Save as disclosed elsewhere in this announcement, there is no other important event affecting the Group which has occurred after the reporting period.

By Order of the Board
Ever Harvest Group Holdings Limited
Lau Yu Leung
Chairman

Hong Kong, 20 March 2020

As at the date of this announcement, the executive Directors of the Company are Mr. Lau Yu Leung, Mr. Lau Tak Fung Wallace and Mr. Lau Tak Kee Henry; the non-executive Director of the Company is Madam Tong Hung Sum; the independent non-executive Directors of the Company are Mr. Lo Wan Sing Vincent, Mr. Lam Lo, Mr. Lee Ka Lun and Mr. Kam Leung Ming.