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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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “Board”) of directors (the “Directors”) of Ever Harvest Group Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021 together with comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED INCOME STATEMENT

Six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(unaudited)	(unaudited)
	Note	HK\$'000	HK\$'000
Revenue	4	189,565	168,779
Cost of services		<u>(164,050)</u>	<u>(138,914)</u>
Gross profit		25,515	29,865
Other income	5	5,734	5,526
Administrative and other operating expenses		(28,663)	(27,500)
Finance costs	6	<u>(465)</u>	<u>(674)</u>
Profit before tax	6	2,121	7,217
Income tax (expenses) credits	7	<u>(179)</u>	<u>7,476</u>
Profit for the period		<u>1,942</u>	<u>14,693</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share			
Basic	9	<u>0.14</u>	<u>1.05</u>
Diluted	9	<u>0.14</u>	<u>1.05</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Profit for the period	<u>1,942</u>	<u>14,693</u>
Other comprehensive income (expenses), net of tax		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on consolidation	<u>911</u>	<u>(738)</u>
Total comprehensive income for the period	<u><u>2,853</u></u>	<u><u>13,955</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Non-current assets			
Property, plant and equipment		96,996	100,977
Investment properties		73,367	73,367
		170,363	174,344
Current assets			
Financial assets at fair value through profit or loss		7,251	5,521
Trade and other receivables	10	76,825	64,645
Pledged bank deposits		662	789
Bank balances and cash		83,211	102,641
		167,949	173,596
Current liabilities			
Trade and other payables	11	146,670	155,505
Income tax payable		1,259	1,080
Interest-bearing borrowings	12	42,286	45,251
Lease liabilities		1,482	1,693
		191,697	203,529
Net current liabilities		(23,748)	(29,933)
Total assets less current liabilities		146,615	144,411
Non-current liabilities			
Lease liabilities		1,341	1,990
NET ASSETS		145,274	142,421
Capital and reserves			
Share capital		14,000	14,000
Reserves		131,274	128,421
TOTAL EQUITY		145,274	142,421

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six months ended 30 June 2021

1. GENERAL INFORMATION AND BASIS OF PREPARATION

Ever Harvest Group Holdings Limited (the “Company”) was incorporated as an exempted company with limited liability in the Cayman Islands on 15 October 2015. 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 Windward 3, Regatta Office Park, PO Box 1350, 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 Company together with its subsidiaries (the “Group”) are 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”).

The unaudited condensed consolidated financial statements for the six months ended 30 June 2021 (the “Interim Financial Statements”) have been prepared in accordance with the Hong Kong Accounting Standard 34 “*Interim Financial Reporting*” (“HKAS 34”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

The preparation of the Interim Financial Statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The Interim Financial Statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2020, and therefore, do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standard (“HKAS”) and Interpretations issued by the HKICPA. They shall be read in conjunction with the Group’s audited financial statements for the year ended 31 December 2020 (the “2020 Financial Statements”).

The Interim Financial Statements have been prepared on the historical costs basis, except for financial assets at fair value through profit or loss which are measured at fair value, and 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.

2. ADOPTION OF NEW/REVISED HKFRSs

The accounting policies and methods of computation applied in the preparation of the Interim Financial Statements are consistent with those applied in preparing the 2020 Financial Statements, except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current period as set out below:

Amendments to HKAS 39,
HKFRSs 4, 7, 9 and 16

Interest Rate Benchmark Reform – Phase 2

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the financial period beginning on 1 January 2021.

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 barge services, and a collective perspective for sea freight forwarding agency services.

Segment results represent the gross profit earned or 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 (unaudited) HK\$'000	Fujian routes (unaudited) HK\$'000	Guangxi routes (unaudited) HK\$'000	Guangdong routes (unaudited) HK\$'000	Hainan routes (unaudited) HK\$'000	Total (unaudited) HK\$'000
Six months ended 30 June 2021						
Revenue from external customers	28,258	22,908	79,846	33,210	25,343	189,565
Cost of services	(23,886)	(20,589)	(68,200)	(29,198)	(22,177)	(164,050)
Segment results	<u>4,372</u>	<u>2,319</u>	<u>11,646</u>	<u>4,012</u>	<u>3,166</u>	<u>25,515</u>
<i>Unallocated income and expenses</i>						
Other income						5,734
Administrative and other operating expenses						(28,663)
Finance costs						(465)
Profit before tax						<u>2,121</u>
Income tax expenses						(179)
Profit for the period						<u><u>1,942</u></u>

	Sea freight forwarding agency services (unaudited) HK\$'000	Fujian routes (unaudited) HK\$'000	Guangxi routes (unaudited) HK\$'000	Guangdong routes (unaudited) HK\$'000	Hainan routes (unaudited) HK\$'000	Total (unaudited) HK\$'000
Six months ended 30 June 2020						
Revenue from external customers	17,408	19,964	75,311	33,520	22,576	168,779
Cost of services	<u>(14,300)</u>	<u>(17,222)</u>	<u>(59,987)</u>	<u>(28,047)</u>	<u>(19,358)</u>	<u>(138,914)</u>
Segment results	<u>3,108</u>	<u>2,742</u>	<u>15,324</u>	<u>5,473</u>	<u>3,218</u>	29,865
<i>Unallocated income and expenses</i>						
Other income						5,526
Administrative and other operating expenses						(27,500)
Finance costs						<u>(674)</u>
Profit before tax						7,217
Income tax credits						<u>7,476</u>
Profit for the period						<u><u>14,693</u></u>

Geographical information

The following table sets out information about the geographical location of the Group's property, plant and equipment (the "Specified non-current assets"). The geographical location of the Specified non-current assets is based on the physical location of the assets (in the case of vessels and barges the location to which they are registered and operated).

Specified non-current assets

	At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Hong Kong	149,344	151,843
The PRC	<u>21,019</u>	<u>22,501</u>
	<u><u>170,363</u></u>	<u><u>174,344</u></u>

Information about major customers

No revenue derived from a single customer or a group of customers under common control amounted to 10% or more of the Group's revenue for the six months ended 30 June 2021 and 2020.

4. REVENUE

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue from contracts with customers within HKFRS 15, recognised over time		
Rendering of feeder shipping services	140,817	136,781
Rendering of carrier owned container services	19,971	14,252
Rendering of sea freight forwarding agency services	28,258	17,408
Rendering of barge services	519	338
	<hr/>	<hr/>
	189,565	168,779
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5. OTHER INCOME

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	45	52
Exchange gain, net	–	363
Net gain on financial assets at fair value through profit or loss	468	333
Gain on disposals of property, plant and equipment	546	–
Government grants	4,214	4,354
Sundry income	461	424
	<hr/>	<hr/>
	5,734	5,526
	<hr/> <hr/>	<hr/> <hr/>

6. PROFIT BEFORE TAX

This is stated after charging (crediting):

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance costs		
Interest on interest-bearing borrowings	387	622
Interest on lease liabilities	78	52
	<u>465</u>	<u>674</u>
Other items		
Staff costs (including directors' remunerations)		
Salaries, bonus and allowances	15,639	16,387
Contributions to defined contribution plans	1,935	881
	<u>17,574</u>	<u>17,268</u>
Depreciation (charged to "Cost of services" and "Administrative and other operating expenses", as appropriate)	4,323	4,297
Exchange loss (gain), net	1,307	(363)
Lease payments on feeder vessels and barges under short-term leases (charged to "Cost of services")	23,096	21,037
Lease payments on premises under short-term leases	213	184
	<u>23,096</u>	<u>21,037</u>

7. TAXATION

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	179	–
PRC Enterprise Income Tax		
Over provision in prior years	–	(7,476)
	<u>179</u>	<u>(7,476)</u>

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

For the six months ended 30 June 2021, the assessable profits of a Hong Kong incorporated subsidiary of the Group (as elected by the management of the Group) are subject to the two-tiered profits tax rates regime that the first HK\$2 million of assessable profits will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The Hong Kong Profits Tax of other Hong Kong incorporated subsidiaries of the Group has not been provided as the Group has no assessable profits for the period. For the six months ended 30 June 2020, Hong Kong Profits Tax had not been provided as the Group had no assessable profits for the period, except one of the Hong Kong incorporated subsidiaries with estimated assessable profits for the period being wholly absorbed by unrelieved tax losses brought forward from previous years.

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 six months ended 30 June 2021 and 2020, PRC Enterprise Income Tax has not been provided as the Group has no assessable profits.

8. DIVIDENDS

The Board of the Company has resolved not to declare an interim dividend for the six months ended 30 June 2021 and 2020.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	(unaudited)	(unaudited)
	HK\$'000	HK\$'000
Earnings		
Earnings for the period attributable to the equity holders of the Company for the purpose of basic earnings per share	<u>1,942</u>	<u>14,693</u>
	2021	2020
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,400,000</u>	<u>1,400,000</u>

Diluted earnings per share is the same as basic earnings per share as there were no potential ordinary shares outstanding during the six months ended 30 June 2021 and 2020.

10. TRADE AND OTHER RECEIVABLES

	At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Trade receivables		
From third parties	59,759	57,535
Loss allowance	<u>(3,237)</u>	<u>(3,237)</u>
	<u>56,522</u>	<u>54,298</u>
Other receivables		
Deposits, prepayments and other debtors	<u>20,303</u>	<u>10,347</u>
	<u>76,825</u>	<u>64,645</u>

Loss allowance

The loss allowance of approximately HK\$3,237,000 (31 December 2020: HK\$3,237,000) as at 30 June 2021 was mainly and specifically resulted from a then major customer who was in the process of bankruptcy and liquidation.

The Group applies the simplified approach to provide for lifetime expected credit losses for trade receivables as prescribed by HKFRS 9. The Group determines the provision for expected credit losses by grouping together trade debtors with similar credit risk characteristics and the days past due and collectively assessing them for likelihood of recovery, taking into account prevailing economic conditions and other forward looking information. At 30 June 2021, the allowance for expected credit losses is assessed insignificant.

The Group normally grants credit terms up to 90 days (*31 December 2020: up to 90 days*) to its customers. The ageing analysis of trade receivables, net of loss allowance, by invoice date is as follows:

	At 30 June 2021 (unaudited) <i>HK\$'000</i>	At 31 December 2020 (audited) <i>HK\$'000</i>
Within 30 days	30,929	25,468
31 – 60 days	14,720	17,967
61 – 90 days	7,227	7,255
Over 90 days	3,646	3,608
	<u>56,522</u>	<u>54,298</u>

At 30 June 2021, amount of approximately HK\$10,267,000 (*31 December 2020: approximately HK\$11,671,000*) included in the trade receivables were in connection with invoice discounting bank loan arrangements.

11. TRADE AND OTHER PAYABLES

	At 30 June 2021 (unaudited) <i>HK\$'000</i>	At 31 December 2020 (audited) <i>HK\$'000</i>
Trade payables		
To third parties	<u>65,838</u>	<u>65,388</u>
Other payables		
Accrued charges and other creditors	10,218	17,955
Deposit received	14,614	16,162
Due to the Ultimate Controlling Party	45,200	45,200
Due to the shareholder	10,800	10,800
	<u>80,832</u>	<u>90,117</u>
	<u>146,670</u>	<u>155,505</u>

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:

	At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Within 30 days	56,967	39,110
31 – 60 days	6,125	16,304
61 – 90 days	1,179	8,454
Over 90 days	1,567	1,520
	<u>65,838</u>	<u>65,388</u>

12. INTEREST-BEARING BORROWINGS

	At 30 June 2021 (unaudited) HK\$'000	At 31 December 2020 (audited) HK\$'000
Secured bank borrowings:		
Current portion	<u>42,286</u>	<u>45,251</u>

- (i) Bank borrowings of approximately HK\$10,267,000 (*At 31 December 2020: approximately HK\$11,671,000*) bear interests at Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.875% per annum (*At 31 December 2020: 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\$10,267,000 (*At 31 December 2020: approximately HK\$11,671,000*) in connection with invoice discounting bank loan arrangements (Note 10).
- (ii) A bank borrowing of approximately HK\$10,000,000 (*At 31 December 2020: approximately HK\$10,000,000*) bears interest at HIBOR plus 2.0% per annum (*At 31 December 2020: HIBOR plus 2.0% 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\$63,281,000 (*At 31 December 2020: approximately HK\$64,497,000*).

- (iii) A mortgage loan of approximately HK\$22,019,000 (*At 31 December 2020: approximately HK\$22,624,000*) bears interest at lower of HIBOR plus 1.25% per annum and the Hong Kong Dollar Prime Rate minus 2.7% per annum (*At 31 December 2020: 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\$63,281,000 (*At 31 December 2020: approximately HK\$64,497,000*).

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 its rights to demand repayment.

- (iv) No mortgage loan at 30 June 2021 (*At 31 December 2020: a mortgage loan of approximately HK\$956,000 bore interest at the lower of HIBOR plus 1.4% per annum or Hong Kong Dollar Best Lending Rate minus 2.75% per annum, and was wholly repayable over five years since its inception. The mortgage loan was secured by the investment properties of the Group of aggregate net carrying amount of approximately HK\$73,367,000 at 31 December 2020*).

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 its rights to demand repayment.

The range of effective interest rates on the interest-bearing borrowings were 1.3% to 2.3% (*31 December 2020: 2.0% to 4.1%*) per annum. All the interest-bearing borrowings are denominated in HK\$.

13. EVENT AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, in August 2021, the Group has completed the top-up placing of existing shares and the subscription of new shares and received total net proceeds of approximately HK\$20,500,000.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

Ever Harvest Group Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) are pleased to report the unaudited consolidated results for the six months ended 30 June 2021.

During the six months ended 30 June 2021, the Group recorded a revenue of approximately HK\$189,565,000 (for the six months ended 30 June 2020: approximately HK\$168,779,000), representing an increase of 12.3% over the corresponding period of last year. The Group recorded a gross profit of approximately HK\$25,515,000 (for the six months ended 30 June 2020: approximately HK\$29,865,000), representing a decrease of approximately 14.6% over the corresponding period of last year. The gross profit margin decreased from 17.7% to 13.5%. The Group recorded profit for the period of approximately HK\$1,942,000 (for the six months ended 30 June 2020: approximately HK\$14,693,000), representing a decrease of approximately 86.8% over the corresponding period of last year.

BUSINESS OVERVIEW

During the six months ended 30 June 2021, container throughput of Hong Kong port increased by 1.1% as compared with the corresponding period of last year, according to the preliminary data released by Marine Department of the Government of the Hong Kong Special Administrative Region (“Hong Kong”), the People’s Republic of China (the “PRC” or “China”).

Notwithstanding the tough operational environment, with the continuous efforts of the Group, the Group’s feeder shipping services, carrier owned container services and barge services recorded an increase in total shipment volume of 1,175 twenty-foot equivalent units (the “TEUs”) or 0.6%, from 186,344 TEUs to 187,519 TEUs, however a decrease in gross profit of approximately HK\$5,614,000 or 21.0%, from approximately HK\$26,757,000 to approximately HK\$21,143,000, for the six months ended 30 June 2021, as compared to the corresponding period of last year. The decrease in the gross profit was mainly attributable to (i) the interruption of the feeder shipping services of the Group for approximately one and a half months due to a shortage of feeder vessel crews after Chinese New Year resulting from measures imposed to control the COVID-19 pandemic; (ii) the increase in rental expenses of feeder vessels during the six months ended 30 June 2021 as a result of an increase in wages of the feeder vessel crews in view of the aforementioned shortage of crews shortage; and (iii) the increase in unit price of bunker charges during the six months ended 30 June 2021 caused by an increase in oil price.

The Group's sea freight forwarding agency services recorded an increase in shipment volume of 112 TEUs or 2.4%, from 4,618 TEUs to 4,730 TEUs, and an increase in gross profit of approximately HK\$1,264,000 or 40.7%, from approximately HK\$3,108,000 to approximately HK\$4,372,000, for the six months ended 30 June 2021, as compared to the corresponding period of last year. The increase in gross profit was mainly attributable to increase in average unit price of sea freight forwarding agency services as a result of increase in customers' demand.

The following table sets out the breakdown of revenue and TEUs by segment for the period:

	Six months ended 30 June					
	2021		Gross profit margin	2020		Gross profit margin
	HK\$'000 (unaudited)	TEUs		HK\$'000 (unaudited)	TEUs	
Fujian routes	22,908	16,551	10.1	19,964	18,162	13.7
Guangxi routes	79,846	79,979	14.6	75,311	82,266	20.3
Guangdong routes	33,210	75,311	12.1	33,520	69,491	16.3
Hainan routes	25,343	15,678	12.5	22,576	16,425	14.3
Sea freight forwarding agency services	28,258	4,730	15.5	17,408	4,618	17.9
	<u>189,565</u>	<u>192,249</u>	<u>13.5</u>	<u>168,779</u>	<u>190,962</u>	<u>17.7</u>

The Group's operational costs totalled approximately HK\$164,050,000 (for the six months ended 30 June 2020: approximately HK\$138,914,000), representing an increase of approximately HK\$25,136,000 or 18.1% as compared with the corresponding period of last year. The increase in operational costs was mainly due to (i) the increase in shipping volume of feeder shipping services, carrier owned container services and barge services; (ii) the increase in unit price of bunker charges as compared to the corresponding period of last year; and (iii) increase in average unit cost of sea freight forwarding agency services.

The Group's other income totalled approximately HK\$5,734,000 (for the six months ended 30 June 2020: approximately HK\$5,526,000), representing an increase of approximately HK\$208,000 or 3.8% as compared to the corresponding period of last year.

Profit for the period

For the six months ended 30 June 2021, the profit attributable to equity holders of the Company of approximately HK\$1,942,000 which was less than approximately 86.8% as compared to the profit attributable to equity holders of the Company of approximately HK\$14,693,000 for the corresponding period in 2020. The decrease in the profit attributable to equity holders of the Company was mainly attributable to: (i) the cumulative effect of the above factors; and (ii) the absence of the reversal of over-provision of the enterprise income tax of the PRC for previous years as recorded in the corresponding period.

PROSPECTS

Uncertainties of Sino-US trade war and the outbreak of the novel coronavirus disease (COVID-19) epidemic, fluctuation of international fuel price and keen price competition among the regional shipping carriers bring unprecedented challenges to the Group. Over 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 market opportunities. In order to maximise and safeguard the interest of the shareholders of the Company, the Group has planned ahead for the upcoming challenges and set our investment strategies cautiously.

Extending 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. The Group will also continue to seek opportunities in new ports and strive to diversify our source of income.

The Group will continue to maintain strong relationship with customers and compete with competitors by our high quality service, effectively manage the vessel fleet and containers in order to maximise the reliability and flexibility of our services, and take all possible measures to enhance our cost efficiency.

Increase the vessel fleet capacity of the Group

In order to increase the vessel fleet capacity of the Group so as to enable the Group to satisfy any increase in customers' demand of the feeder shipping services, reduce the costs of the Group in relation to the provision of feeder shipping services of the Group and improve the current financial position of the Group.

On 28 April 2021, the Group entered into a vessel transfer agreement with a vendor to acquire a vessel at the purchase price of RMB12,300,000.

On 30 July 2021 and 6 August 2021, the Group completed the top-up placing of existing shares and the subscription of new shares and received total net proceeds of approximately HK\$20.5 million (net of related costs, professional fees and out-of-pocket expenses). The net proceeds is intended to be used for (i) potential acquisition of additional vessel(s); (ii) the repayment of its existing borrowings; and (iii) general working capital of the Group. For further details, please refer to the paragraph headed “Significant Event After the Reporting Period” in this announcement.

With the continuous efforts of the Group, the Group believes that the Group will bring good returns to its shareholders in the long term.

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 30 June 2021, the Group held bank balances and cash of approximately HK\$83,211,000 (31 December 2020: approximately HK\$102,641,000). As at 30 June 2021, the Group had a mortgage loan of approximately HK\$22,019,000 (31 December 2020: approximately HK\$23,580,000) and was wholly repayable over five years. Also, the Group had other bank borrowings of approximately HK\$20,267,000 as at 30 June 2021 (31 December 2020: approximately HK\$21,671,000) and were wholly repayable within one year since inception. The range of effective interest rates on the borrowings were 1.3% to 2.3% (for the year ended 31 December 2020: 2.0% to 4.1%) per annum. The carrying amounts of bank borrowings were denominated in Hong Kong dollars (“HK\$”). The Group’s gearing ratio as at 30 June 2021, calculated based on the total borrowings to the equity attributable to owners of the Company, was 31.1% (31 December 2020: 34.4%). Although the Group had net current liabilities of approximately HK\$23,748,000 as at 30 June 2021 (31 December 2020: HK\$29,933,000), the Group 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 six months ended 30 June 2021. The capital of the Company comprises ordinary shares and other reserves.

Charge on group assets

As at 30 June 2021, leasehold land and building amounting to approximately HK\$63,281,000 (31 December 2020: approximately HK\$64,497,000) and investment properties amounting to HK\$73,367,000 (31 December 2020: HK\$73,367,000) were pledged to secure banking facilities, trade receivables amounting to approximately HK\$10,267,000 (31 December 2020: approximately HK\$11,671,000) were in connection with invoice discounting bank loan arrangements and bank deposits amounting to approximately HK\$662,000 (31 December 2020: approximately HK\$789,000) were pledged as security for bank facilities.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2021, the Group had a total of 197 employees (31 December 2020: 193). Total staff costs (including Directors' emoluments) were approximately HK\$17,574,000 for the six months ended 30 June 2021, as compared to approximately HK\$17,268,000 for the corresponding period of last year.

Remuneration policy of the Group is reviewed regularly, making reference to legal framework, market condition and performance of the Group and individual staff (including Directors). The remuneration policy and remuneration packages of the executive Directors and members of the senior management of the Group are reviewed by the remuneration committee.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has complied with the code provisions of the CG Code throughout the six months ended 30 June 2021.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2021 (30 June 2020: Nil).

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 six months ended 30 June 2021.

SIGNIFICANT EVENT AFTER THE REPORTING PERIOD

On 27 July 2021, the Company entered into a placing and subscription agreement with Ever Winning Investment Company Limited (as the vendor) and Alpha Financial Group Limited (as the placing agent) (the "Placing Agent"), pursuant to which the Placing Agent conditionally agreed to procure not less than six independent placees (or itself as principal) on a best effort basis to purchase a total of 100,000,000 ordinary shares of the Company at the placing price of HK\$0.231 per share (the "Placing Price"), while Ever Winning Investment Company Limited conditionally agreed to subscribe for new shares, the number of which is equal to the number of the placing shares placed by the manager, at the subscription price of HK\$0.231 per new share. The Placing Price represented a discount of approximately 11.2% to the closing price of HK\$0.26 per share as quoted on the Stock Exchange on the date of the agreement.

The Directors considered that the placing and subscription represents an opportunity to raise additional funds for (i) the potential acquisition of additional vessel(s), which will increase the vessel fleet capacity of the Group so as to enable the Group to satisfy any increase in customers' demand of the feeder shipping services; (ii) the repayment of the existing borrowings of the Group to strengthen the Group's financial position; and (iii) general working capital of the Group. The placing and subscription will also enable the Group to enlarge the shareholders' base of the Company, which may in turn enhance the liquidity of the Shares. The Company completed the placing of shares, and allotment and issuance of new shares according to the general mandate, on 30 July 2021 and 6 August 2021, respectively. The net proceeds received by the Company after deducting related costs and expenses are approximately HK\$20.5 million. The net price for each subscription share, after deduction of related costs and expenses is approximately HK\$0.205 per share.

The Company intends to use 60% of the net proceeds for the potential acquisition of additional vessel(s); 30% of the net proceeds for the repayment of the existing borrowings of the Group; and the remaining 10% for the general working capital of the Group. As at the date of this announcement, HK\$6.1 million has been used to repay existing borrowings. The remaining net proceeds of approximately HK\$14.4 million are deposited with a licensed financial institution. For details, please refer to the announcements of the Company dated 27 July 2021 and 6 August 2021.

Save as disclosed, no significant event has been noted after the Reporting Period.

REVIEW OF INTERIM RESULTS

The Company established an audit committee which comprises four independent non-executive directors of the Company, namely Mr. Lee Ka Lun as the chairman of the audit committee, Mr. Lo Wan Sing Vincent, Mr. Lam Lo and Mr. Kam, Eddie Shing Cheuk, all of whom possess experience in financial and/or general management. The audit committee has also adopted written terms of reference which clearly set out its duties and obligations for ensuring compliance with the relevant regulatory requirements.

The audit committee has reviewed with the management the accounting principles and practices adopted by the Group and discussed the financial reporting matters including the review of the unaudited financial statements of the Group for the six months ended 30 June 2021 and this announcement.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT

This results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://www.xhsl.com.hk>). The 2021 interim report of the Company will be available at the aforesaid websites and will be despatched to the shareholders of the Company in due course.

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

Hong Kong, 31 August 2021

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