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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 2022

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 2022 together with the comparative figures for the corresponding period in 2021 as follows:

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

	<i>Note</i>	2022 HK\$'000	2021 HK\$'000
Revenue	4	655,518	488,964
Cost of services		<u>(551,708)</u>	<u>(407,231)</u>
Gross profit		103,810	81,733
Other income	5	11,859	19,757
Administrative and other operating expenses		(80,835)	(73,912)
Finance costs	6	<u>(1,938)</u>	<u>(1,076)</u>
Profit before tax	6	32,896	26,502
Income tax expenses	7	<u>(5,254)</u>	<u>(3,719)</u>
Profit for the year		<u>27,642</u>	<u>22,783</u>
Earnings per share		HK cents	HK cents
Basic	9	<u>1.78</u>	<u>1.57</u>
Diluted	9	<u>1.78</u>	<u>1.57</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the year	<u>27,642</u>	<u>22,783</u>
Other comprehensive (expenses) income		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on consolidation	<u>(4,569)</u>	<u>1,533</u>
Total comprehensive income for the year	<u><u>23,073</u></u>	<u><u>24,316</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	<i>Note</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Non-current assets			
Deposits for acquisition of property, plant and equipment	<i>12</i>	–	10,541
Property, plant and equipment	<i>10</i>	113,770	100,529
Investment properties	<i>11</i>	61,356	63,946
		<u>175,126</u>	<u>175,016</u>
Current assets			
Financial assets at FVPL		6,050	–
Trade and other receivables	<i>12</i>	83,154	97,015
Pledged bank deposits		811	662
Bank balances and cash		147,991	123,821
		<u>238,006</u>	<u>221,498</u>
Current liabilities			
Trade and other payables	<i>13</i>	120,530	122,601
Income tax payable		5,294	4,220
Interest-bearing borrowings	<i>14</i>	64,584	69,662
Lease liabilities		1,287	1,543
		<u>191,695</u>	<u>198,026</u>
Net current assets		<u>46,311</u>	<u>23,472</u>
Total assets less current liabilities		<u>221,437</u>	<u>198,488</u>
Non-current liabilities			
Lease liabilities		<u>1,047</u>	<u>1,171</u>
NET ASSETS		<u>220,390</u>	<u>197,317</u>
Capital and reserves			
Share capital		15,500	15,500
Reserves		204,890	181,817
TOTAL EQUITY		<u>220,390</u>	<u>197,317</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2022

1. GENERAL INFORMATION

Ever Harvest Group Holdings Limited (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 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”).

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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. A summary of the principal accounting policies adopted by the Group in preparing the consolidated financial statements is set out below.

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.

Adoption of new/revised HKFRSs

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2021 consolidated financial statements except for the adoption of the following new/revised HKFRSs that are relevant to the Group and effective from the current year:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendment to HKAS 16	Proceeds before Intended Use
Amendments to HKAS 37	Cost of Fulfilling a Contract
Amendments to HKFRS 3	Reference to the Conceptual Framework
Annual Improvements to HKFRS	2018–2020 Cycle

The adoption of the above new/revised HKFRSs did not have significant impact on the consolidated financial statements.

Basis of measurement

The measurement basis used in the preparation of these consolidated financial statements is historical cost, except for financial assets at fair value through profit or loss (“FVPL”), which are measured at fair value as explained in the accounting policy as set out below.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting year as that of the Company using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. The results of subsidiaries are consolidated from the date on which the Group obtains control and continue to be consolidated until the date that such control ceases.

Future changes in HKFRSs

At the date of authorisation of these 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 HKAS 1	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 17	Initial Application as HKFRS 17 and HKFRS 9 – Comparative Information ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ²
Amendments to HKAS 1	Non-current Liabilities with Covenants ²
Amendment to HKAS 16	Lease Liability in a Sale and Leaseback ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2024

³ 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 2022							
Revenue from external customers	89,518	93,044	277,696	107,215	88,045	-	655,518
Cost of services	(75,665)	(66,333)	(238,884)	(89,135)	(81,691)	-	(551,708)
Segment results	<u>13,853</u>	<u>26,711</u>	<u>38,812</u>	<u>18,080</u>	<u>6,354</u>	<u>-</u>	<u>103,810</u>
<i>Unallocated income and expenses</i>							
Other income							11,859
Administrative and other operating expenses							(80,835)
Finance costs							(1,938)
Profit before tax							32,896
Income tax expenses							(5,254)
Profit for the year							<u>27,642</u>
<i>Other information</i>							
Depreciation of property, plant and equipment	<u>-</u>	<u>589</u>	<u>1,531</u>	<u>1,606</u>	<u>563</u>	<u>4,662</u>	<u>8,951</u>
Depreciation of investment properties	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,590</u>	<u>2,590</u>
Lease payments under short-term leases	<u>-</u>	<u>16,412</u>	<u>16,910</u>	<u>5,299</u>	<u>29,892</u>	<u>363</u>	<u>68,876</u>
Capital expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,928</u>	<u>-</u>	<u>1,439</u>	<u>12,367</u>

	Sea freight forwarding agency services <i>HK\$'000</i>	Fujian routes <i>HK\$'000</i>	Guangxi routes <i>HK\$'000</i>	Guangdong routes <i>HK\$'000</i>	Hainan routes <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Year ended 31 December 2021							
Revenue from external customers	78,274	61,409	214,961	78,280	56,040	–	488,964
Cost of services	(65,427)	(52,352)	(170,799)	(68,393)	(50,260)	–	(407,231)
Segment results	<u>12,847</u>	<u>9,057</u>	<u>44,162</u>	<u>9,887</u>	<u>5,780</u>	<u>–</u>	<u>81,733</u>
<i>Unallocated income and expenses</i>							
Other income							19,757
Administrative and other operating expenses							(73,912)
Finance costs							<u>(1,076)</u>
Profit before tax							26,502
Income tax expenses							<u>(3,719)</u>
Profit for the year							<u>22,783</u>
<i>Other information</i>							
Depreciation of property, plant and equipment	<u>–</u>	<u>361</u>	<u>1,060</u>	<u>1,387</u>	<u>340</u>	<u>5,162</u>	<u>8,310</u>
Depreciation of investment properties	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>2,818</u>	<u>2,818</u>
Lease payments under short-term leases	<u>–</u>	<u>12,332</u>	<u>26,564</u>	<u>7,207</u>	<u>13,043</u>	<u>726</u>	<u>59,872</u>
Capital expenditures	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>1,395</u>	<u>1,395</u>
Deposits for acquisition of property, plant and equipment	<u>–</u>	<u>–</u>	<u>–</u>	<u>10,541</u>	<u>–</u>	<u>–</u>	<u>10,541</u>

4. REVENUE

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
<u>Revenue from contracts with customers within HKFRS 15, recognised over time</u>		
Rendering of feeder shipping services	490,516	361,739
Rendering of carrier owned container services	75,040	47,709
Rendering of sea freight forwarding agency services	89,518	78,274
Rendering of barge services	444	1,242
	<u>655,518</u>	<u>488,964</u>

5. OTHER INCOME

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Bank interest income	230	110
Dividend income	164	–
Exchange gain, net	436	–
Net (loss) gain on financial assets at FVPL	(1,415)	276
Gain on disposals of property, plant and equipment	–	554
Government grants (<i>Note i</i>)	9,758	17,007
Government subsidies (<i>Note ii</i>)	888	–
Sales of scrap containers	489	343
Sundry income	1,309	1,467
	<u>11,859</u>	<u>19,757</u>

Note:

- (i) These government grants were mainly the incentives for rewarding the Group's 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. Under the terms of grants, the Group has to fulfill certain containers shipping volume.
- (ii) During the year ended 31 December 2022, the Group has received funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by The Government of the Hong Kong Special Administrative Region. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees.

6. PROFIT BEFORE TAX

This is stated after charging (crediting):

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Finance costs		
Interest on interest-bearing borrowings	1,840	936
Finance charges on lease liabilities	<u>98</u>	<u>140</u>
	<u>1,938</u>	<u>1,076</u>
Other items		
Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	47,220	40,262
Contributions to defined contribution plans (<i>Note</i>)	<u>4,487</u>	<u>4,254</u>
	<u>51,707</u>	<u>44,516</u>
Auditor's remuneration	840	820
Depreciation of property, plant and equipment (charged to "Cost of services" and "Administrative and other operating expenses", as appropriate)	8,951	8,310
Depreciation of investment properties	2,590	2,818
Exchange (gain) loss, net	(436)	801
Lease payments on feeder vessels and barges under short-term leases (charged to "Cost of services")	68,513	59,146
Lease payments on premises under short-term leases	<u>363</u>	<u>726</u>

Note:

The Group has participated in a Mandatory Provident Fund Scheme (the "MPF Scheme") for its qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at the rates specified in the rules. The only obligation of the Group with respect to the MPF Scheme is to make the required contributions under the scheme. Under the MPF Scheme, there will not be any forfeited contribution available to reduce the contribution payable by the Group.

In accordance with rules and regulations in the PRC, the employees of the Group's entities established in the PRC are required to participate in defined contribution retirement plans organised by local government. Contributions to those plans are expensed as incurred and other than these monthly contributions and the Group has no further obligation for the payment of the retirement benefits to its employees. No forfeited contributions were used to reduce the current year's level of contributions and no forfeited contribution was available at 31 December 2022 and 2021 to reduce future year's contributions.

The retirement benefits cost charged to profit or loss represents contributions payable to the schemes by the Group at rates specified in the rules of the MPF Scheme and the defined contribution retirement plans in the PRC.

7. TAXATION

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
Current year	5,201	3,719
Under provision in prior years	53	–
	<u>5,254</u>	<u>3,719</u>
Total income tax expenses for the year	<u><u>5,254</u></u>	<u><u>3,719</u></u>

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

For the years ended 31 December 2022 and 2021, 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 both years, except for one of the subsidiaries in Hong Kong with estimated assessable profits for the year ended 31 December 2021 were 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 years ended 31 December 2022 and 2021. For the years ended 31 December 2022 and 2021, PRC Enterprise Income Tax has not been provided as the PRC subsidiaries have no assessable profits.

8. DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 December 2022 (2021: nil).

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Earnings		
Profit for the year attributable to the equity holders of the Company for the purpose of basic earnings per share	<u>27,642</u>	<u>22,783</u>
Number of shares		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	<u>1,550,000</u>	<u>1,454,110</u>

Diluted earnings per share is same as basic earnings per share as there were no potential ordinary shares outstanding during years ended 31 December 2022 and 2021.

10. PROPERTY, PLANT AND EQUIPMENT

In January 2021, properties with carrying value of approximately HK\$7,102,000 were transferred from investment properties to property, plant and equipment upon change of their use as the Group's own used properties.

At 31 December 2022, the Group had five (2021: three) vessels under usage priority agreements (the "Usage Priority Agreements") or sales & purchase and supplemental transfer agreements (the "Transfer Agreements"). According to the Usage Priority Agreements or sales & purchase and the Transfer Agreements, the Group has the exclusive preferential right to use these five (2021: three) 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 five (2021: three) vessels. The Group considers that it, in substance, is able to use these five vessels and obtain the future economic benefits through the usage of these five vessels physically as if it was the legal owners throughout the period covered by the Usage Priority Agreements or sales & purchase and the Transfer Agreements. Accordingly, the aggregate net carrying amount of approximately HK\$22,120,000 (2021: HK\$4,349,000) was recorded under property, plant and equipment.

11. INVESTMENT PROPERTIES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Reconciliation of carrying amount		
At the beginning of the reporting period	63,946	73,367
Transfer to property, plant and equipment	–	(7,102)
Additions – subsequent expenditure	–	499
Depreciation	<u>(2,590)</u>	<u>(2,818)</u>
At the end of the reporting period	<u>61,356</u>	<u>63,946</u>
Fair value	<u>61,700</u>	<u>66,200</u>

The investment properties with a total carrying amount of approximately HK\$61,356,000 at 31 December 2022 (2021: HK\$63,946,000) were pledged to secure banking facilities granted to the Group.

12. TRADE AND OTHER RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables		
From third parties	75,539	86,233
Less: Loss allowance	<u>(3,237)</u>	<u>(3,237)</u>
	72,302	82,996
Other receivables		
Deposits, prepayments and other debtors	10,852	24,560
Less: Deposits paid for acquisition of property, plant and equipment classified as non-current assets	<u>–</u>	<u>(10,541)</u>
	<u>10,852</u>	<u>14,019</u>
	<u>83,154</u>	<u>97,015</u>

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 (2021: HK\$3,237,000) at 31 December 2022 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 (2021: up to 90 days) to its customers. The ageing analysis of trade receivables, net of loss allowance, by invoice date is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	31,513	34,275
31–60 days	22,172	28,991
61–90 days	9,977	14,371
Over 90 days	<u>8,640</u>	<u>5,359</u>
	<u><u>72,302</u></u>	<u><u>82,996</u></u>

At 31 December 2022, amount of approximately HK\$5,738,000 (2021: HK\$6,729,000) included in the trade receivables were in connection with invoice discounting bank loan arrangements.

13. TRADE AND OTHER PAYABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade payables		
To third parties	<u>85,541</u>	<u>76,157</u>
Other payables		
Accrued charges and other creditors	20,575	22,504
Deposits received	14,414	18,240
Due to a shareholder and a non-executive director of the Company	<u>–</u>	<u>5,700</u>
	<u>34,989</u>	<u>46,444</u>
	<u><u>120,530</u></u>	<u><u>122,601</u></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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 30 days	36,532	42,704
31–60 days	25,660	16,803
61–90 days	15,601	12,425
Over 90 days	<u>7,748</u>	<u>4,225</u>
	<u><u>85,541</u></u>	<u><u>76,157</u></u>

14. INTEREST-BEARING BORROWINGS

	2022 HK\$'000	2021 HK\$'000
Secured bank borrowings:		
Current portion	<u>64,584</u>	<u>69,662</u>
(i) Bank borrowings of approximately HK\$5,738,000 (2021: HK\$6,729,000) bear interests at Hong Kong Interbank Offered Rate ("HIBOR") plus 1.7% per annum (2021: 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\$5,738,000 (2021: HK\$6,729,000) in connection with invoice discounting bank loan arrangements.		
(ii) A bank borrowing of approximately HK\$12,000,000 (2021: HK\$14,000,000) bears interest at HIBOR plus 1.7% per annum (2021: HIBOR plus 1.7% per annum) and is wholly repayable within one year since inception. The bank borrowing is secured by the leasehold land and buildings and investment properties of the Group of aggregate net carrying amount of approximately HK\$66,458,000 (2021: HK\$69,168,000) and HK\$61,356,000 (2021: HK\$63,946,000) respectively (Notes 10 and 11).		
(iii) A mortgage loan of approximately HK\$20,416,000 (2021: HK\$21,417,000) bears interest at the lower of HIBOR plus 1.25% per annum and the Hong Kong Dollar Prime Rate minus 2.7% per annum respectively (2021: 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 and investment properties of the Group of aggregate net carrying amount of approximately HK\$66,458,000 (2021: HK\$69,168,000) and HK\$61,356,000 (2021: HK\$63,946,000) respectively (Notes 10 and 11).		
(iv) A term loan of approximately HK\$26,430,000 (2021: HK\$27,516,000) bears interest at the 1 month HIBOR plus 1.75% per annum (2021: 1 month HIBOR plus 1.75% per annum), and is wholly repayable over five years. The term loan is secured by the leasehold land and buildings and investment properties of the Group of aggregate net carrying amount of approximately HK\$66,458,000 (2021: HK\$69,168,000) and HK\$61,356,000 (2021: HK\$63,946,000) respectively (Notes 10 and 11).		

All the borrowings are 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 was 2.1% to 7.1% (2021: 1.4% to 2.2%) per annum. All the interest-bearing borrowings are denominated in HK\$.

At 31 December 2022, the Group had banking facilities totalling approximately HK\$119,846,000 (2021: HK\$122,417,000) and undrawn amounts under these banking facilities of approximately HK\$55,262,000 (2021: HK\$52,755,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The Group is pleased to report the results for the year ended 31 December 2022.

During the year ended 31 December 2022, the Group recorded a revenue of approximately HK\$655,518,000 (2021: approximately HK\$488,964,000), representing an increase of 34.1% over the same period last year. The Group recorded a gross profit of approximately HK\$103,810,000 (2021: approximately HK\$81,733,000), representing an increase of 27.0% over the same period last year. The gross profit margin decreased from 16.7% to 15.8%. The Group recorded profit for the year of approximately HK\$27,642,000 (2021: approximately HK\$22,783,000).

BUSINESS OVERVIEW

During the year ended 31 December 2022, container throughput of Hong Kong port decreased by 6.3% as compared with the same period last year, according to the data released by the Marine Department of The Government of the Hong Kong Special Administrative Region of the PRC.

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 61,803 twenty-foot equivalent units (the "TEUs") or 14.7%, from 420,561 TEUs to 482,364 TEUs, and an increase in gross profit of approximately HK\$21,071,000 or 30.6%, from approximately HK\$68,886,000 to approximately HK\$89,957,000, for the year ended 31 December 2022, as compared to the corresponding period last year. The increase in gross profit was mainly attributable to the increase in shipment volume and the increase in the average unit price of the Group's services. This was a result of the tight supply in the container transportation market, which led to an increase in customer demand.

The Group's sea freight forwarding agency services recorded a decrease in shipment volume of 633 TEUs or 6.8%, from 9,318 TEUs to 8,685 TEUs, however there was an increase in gross profit of approximately HK\$1,006,000 or 7.8%, from approximately HK\$12,847,000 to approximately HK\$13,853,000, for the year ended 31 December 2022, as compared to the corresponding period 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 year:

	Year ended 31 December					
	2022			2021		
	<i>HK\$'000</i>	TEUs	Gross profit margin %	<i>HK\$'000</i>	TEUs	Gross profit margin %
Fujian routes	93,044	63,700	28.7	61,409	42,016	14.7
Guangxi routes	277,696	170,419	14.0	214,961	167,879	20.5
Guangdong routes	107,215	202,141	16.9	78,280	176,744	12.6
Hainan routes	88,045	46,104	7.2	56,040	33,922	10.3
Sea freight forwarding agency services	89,518	8,685	15.5	78,274	9,318	16.4
	<u>655,518</u>	<u>491,049</u>	<u>15.8</u>	<u>488,964</u>	<u>429,879</u>	<u>16.7</u>

The Group's operational costs amounted to approximately HK\$551,708,000, representing an increase of approximately HK\$144,477,000 or 35.5% as compared with the same period last year. The change 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) the increase in average unit cost of sea freight forwarding agency services.

The Group's other income amounted to approximately HK\$11,859,000, representing a decrease of approximately HK\$7,898,000 as compared to the same period last year. The change in other income was mainly due to the net effect of (i) the decrease in the government grants for the reporting period; (ii) the net loss on financial assets at fair value through profit or loss (FVPL) for the reporting period; (iii) the receipt of government subsidies from the Employee Support Scheme under the Anti-epidemic Fund for the reporting period; and (iv) the net exchange gain for the reporting period.

PROSPECTS

There are signs of a global economic slowdown, the overall shipping rates have been decreasing since the second half of 2022. Although the Chinese economy recovers and the salaries of shipowners' crew members and vessel rental expenses are expecting to gradually decrease, the escalating tensions between China and the US brought uncertainty to the global trade market and fierce price competition among the regional shipping carriers, therefore, the Group is facing a number of challenges in 2023.

Over our long history in the waterborne trade market, although we experienced several economic cycles and industry storms, we were able to thrive 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.

Extend the reach of routes

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 the source of income.

The Group will continue to maintain strong relationship with customers, compete with competitors with high-quality service, effectively manage the vessel fleet and containers in order to maximise the reliability and flexibility of services, and take all possible measures to enhance the 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 and reduce the costs of the Group in relation to the provision of feeder shipping services, the Group entered into a vessel transfer agreement with a vendor to acquire a vessel at the purchase price of RMB7,800,000 on 1 July 2022.

As at the date of this announcement, the Group had five feeder vessels, two barges and more than 1,000 containers.

With the continuous efforts of the Group, the Group will continue to strive towards bringing 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 31 December 2022, the Group held bank balances and cash of approximately HK\$147,991,000 (2021: approximately HK\$123,821,000). The Group had a mortgage loan of approximately HK\$20,416,000 as at 31 December 2022 (2021: approximately HK\$21,417,000) and was wholly repayable over five years. The Group had a term loan of approximately HK\$26,430,000 (2021: HK\$27,516,000) and was wholly repayable over five years. Also, the Group had other bank borrowings of approximately HK\$17,738,000 as at 31 December 2022 (2021: approximately HK\$20,729,000) and were wholly repayable within one year since inception. The range of effective interest rates on the borrowings was 2.1% to 7.1% (2021: 1.4% to 2.2%) per annum. All bank borrowings were made at floating interest rates. The carrying amounts of bank borrowings were denominated in Hong Kong dollars. The Group's gearing ratio as at 31 December 2022, calculated based on the total borrowings (including lease liabilities) to the equity attributable to owners of the Company, was 30.4% (2021: 36.7%).

The Group believes that its cash holding, liquid asset value, future revenue and available banking facilities will be sufficient to fulfill the working capital requirements of the Group.

There had been no material change in the capital structure of the Company during the year ended 31 December 2022. 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 2022. 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 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 2022, 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 2022.

Charge on group assets

As at 31 December 2022, leasehold land and building amounting to approximately HK\$66,458,000 (2021: approximately HK\$69,168,000), investment properties amounting to approximately HK\$61,356,000 (2021: HK\$63,946,000), trade receivables amounting to approximately HK\$5,738,000 (2021: approximately HK\$6,729,000) in connection with invoice discounting bank loan arrangements and bank deposits amounting to approximately HK\$811,000 (2021: approximately HK\$662,000) were pledged as security for bank facilities.

Contingent liabilities

As at 31 December 2022, 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 dividend policy shall be reviewed periodically and submitted to the Board for approval if amendments are required.

SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2022, the Group did not hold any significant investment in equity interest in any other company.

PROPERTY HELD FOR INVESTMENT

The details of our Group's property held for investment as at 31 December 2022 are set out below:

Address	Existing use	Lease term
28/F., Excel Centre, 483A Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong	Office	Long term

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the year ended 31 December 2022, the Group did not have any material acquisition or disposal of subsidiaries, associates and joint ventures.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Apart from those disclosed in this announcement, there were no material investments or additions of capital assets authorised by the Board at the date of this announcement.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2022, the Group has a total of 203 employees (31 December 2021: 198 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.

There was no consideration provided to or receivable by any third party for making available the services of a person as a Director, or in any other capacity while as a Director during the years ended 31 December 2022 and 2021.

FINAL DIVIDEND

The Board has resolved not to recommend the payment of a dividend for the year ended 31 December 2022.

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 2022.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Company has reviewed together 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 2022.

The figures in respect of the Company's consolidated statement of financial position, consolidated income statement and consolidated statement of comprehensive income, and related notes thereto for the year ended 31 December 2022 as set out in the announcement have been agreed by the Company's auditor, Mazars CPA Limited ("Mazars"), to the amounts set out in the Company's audited consolidated financial statements for the year ended 31 December 2022. 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 2022, the Company had duly complied with the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, to comply with the increasingly tightened regulatory requirements and to meet the rising expectations of the shareholders and investors.

IMPORTANT EVENTS AFTER THE REPORTING PERIOD

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, 24 March 2023

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, Eddie Shing Cheuk.