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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 2020

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 2020 together with the comparative figures for the corresponding period in 2019 as follows:

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Revenue	4	365,715	336,704
Cost of services		(303,362)	(288,895)
Gross profit		62,353	47,809
Other income	5	20,283	15,126
Administrative and other operating expenses		(62,055)	(59,064)
Finance costs	6	(1,181)	(1,359)
Profit before tax	6	19,400	2,512
Income tax credits (expenses)	7	6,825	(910)
Profit for the year		26,225	1,602
Earnings per share		<i>HK cents</i>	<i>HK cents</i>
Basic	9	1.87	0.11
Diluted	9	1.87	0.11

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year	26,225	1,602
Other comprehensive income (expenses), net of tax		
<i>Item that may be reclassified subsequently to profit or loss</i>		
Exchange difference on consolidation	<u>2,151</u>	<u>(636)</u>
Total comprehensive income for the year	<u>28,376</u>	<u>966</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	<i>Note</i>	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	10	100,977	104,301
Investment properties	11	73,367	–
		<u>174,344</u>	<u>104,301</u>
Current assets			
Financial assets at FVPL		5,521	–
Trade and other receivables	12	64,645	61,624
Pledged bank deposits		789	1,962
Income tax recoverable		–	632
Bank balances and cash		102,641	74,087
		<u>173,596</u>	<u>138,305</u>
Current liabilities			
Trade and other payables	13	155,505	79,995
Income tax payable		1,080	7,634
Interest-bearing borrowings	14	45,251	38,548
Lease liabilities		1,693	998
		<u>203,529</u>	<u>127,175</u>
Net current (liabilities) assets		<u>(29,933)</u>	<u>11,130</u>
Total assets less current liabilities		<u>144,411</u>	<u>115,431</u>
Non-current liabilities			
Lease liabilities		1,990	1,386
NET ASSETS		<u>142,421</u>	<u>114,045</u>
Capital and reserves			
Share capital		14,000	14,000
Reserves		128,421	100,045
TOTAL EQUITY		<u>142,421</u>	<u>114,045</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2020

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 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 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

Basis of preparation

The Group had net current liabilities of approximately HK\$29,933,000 at 31 December 2020. Notwithstanding of the above, the directors consider the going concern basis of preparation of the consolidated financial statements is appropriate after taking into consideration the following:

- (a) the Group is able to generate operating profits and cash inflows from current and future operating activities;
- (b) the vendors of the acquisition have confirmed that they will not demand repayment of the amounts due to them in aggregate of HK\$56,000,000 until the Group is in a position to do so; and
- (c) at 31 December 2020, the Group has undrawn banking facilities of approximately HK\$27,829,000 granted by the financial institutions.

Should the Group be unable to continue as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts and to provide for any further liabilities which might arise; and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect to these adjustments has not been reflected in the consolidated financial statements.

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.

Adoption of new/revised HKFRSs

These consolidated financial statements have been prepared on a basis consistent with the accounting policies adopted in the 2019 consolidated financial statements, except for the adoption of the new/revised HKFRSs that are relevant to the Group and effective from the current year:

Amendments to HKASs 1 and 8	Definition of Material
Amendments to HKAS 39, HKFRSs 7 and 9	Interest Rate Benchmark Reform – Phase 1
Amendments to HKFRS 3	Definition of a Business

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.

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 HKFRS 16	Covid-19-Related Rent Concessions ¹
Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16	Interest Rate Benchmark Reform – Phase 2 ²
Amendments to HKAS 16	Proceeds before Intended Use ³
Amendments to HKAS 37	Cost of Fulfilling a Contract ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ³
Annual Improvements to HKFRSs	2018–2020 Cycle ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ⁴
HKFRS 17	Insurance Contracts ⁴
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁵

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

² Effective for annual periods beginning on or after 1 January 2021

³ Effective for annual periods beginning on or after 1 January 2022

⁴ Effective for annual periods beginning on or after 1 January 2023

⁵ 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 HK\$'000	Fujian routes HK\$'000	Guangxi routes HK\$'000	Guangdong routes HK\$'000	Hainan routes HK\$'000	Unallocated HK\$'000	Total HK\$'000
Year ended 31 December 2020							
Revenue from external customers	35,214	45,582	168,354	71,908	44,657	-	365,715
Cost of services	(29,795)	(42,020)	(134,507)	(59,038)	(38,002)	-	(303,362)
Segment results	<u>5,419</u>	<u>3,562</u>	<u>33,847</u>	<u>12,870</u>	<u>6,655</u>	<u>-</u>	<u>62,353</u>
<i>Unallocated income and expenses</i>							
Other income							20,283
Administrative and other operating expenses							(62,055)
Finance costs							(1,181)
Profit before tax							19,400
Income tax credits							6,825
Profit for the year							<u>26,225</u>
<i>Other information</i>							
Depreciation	<u>-</u>	<u>400</u>	<u>1,302</u>	<u>1,713</u>	<u>393</u>	<u>4,493</u>	<u>8,301</u>
Lease payments under short-term leases	<u>-</u>	<u>10,221</u>	<u>20,517</u>	<u>7,255</u>	<u>8,662</u>	<u>294</u>	<u>46,949</u>
Capital expenditures (included addition through acquisition of a subsidiary)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,965</u>	<u>80,965</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 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>

4. REVENUE

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<u>Revenue from contracts with customers within HKFRS 15, recognised over time</u>		
Rendering of feeder shipping services	299,186	263,540
Rendering of carrier owned container services	30,486	32,689
Rendering of sea freight forwarding agency services	35,214	39,343
Rendering of barge services	829	1,132
	<u>365,715</u>	<u>336,704</u>

5. OTHER INCOME

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Bank interest income	105	238
Dividend income from financial assets at FVPL	–	210
Exchange gain, net	2,765	250
Net gain on financial assets at FVPL	1,023	3,785
Gain on disposals of property, plant and equipment	406	4,003
Government grants (<i>Note i</i>)	12,638	4,592
Government subsidies (<i>Note ii</i>)	1,997	–
Sales of scrap containers	476	959
Sundry income	873	1,089
	<u>20,283</u>	<u>15,126</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.
- (ii) During the year ended 31 December 2020, the Group has received funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. 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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Finance costs		
Interest on interest-bearing borrowings	1,038	1,252
Finance charges on lease liabilities	143	107
	<u>1,181</u>	<u>1,359</u>
Other items		
Staff costs (including directors' remuneration)		
Salaries, bonus and allowances	37,566	32,999
Contributions to defined contribution plans	2,640	3,801
	<u>40,206</u>	<u>36,800</u>
Auditor's remuneration	1,045	900
Depreciation (charged to "Cost of services" and "Administrative and other operating expenses", as appropriate)	8,301	8,198
Lease payments on feeder vessels and barges under short-term leases (charged to "Cost of services")	46,655	44,636
Lease payments on premises under short-term leases	294	528

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 2020 (2019: nil) 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax		
Current year	1,295	–
(Over) Under provision in prior years	<u>(34)</u>	<u>910</u>
	1,261	910
PRC Enterprise Income Tax		
Over provision in prior years	<u>(8,086)</u>	<u>–</u>
Total income tax (credits) expenses for the year	<u><u>(6,825)</u></u>	<u><u>910</u></u>

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

For the year ended 31 December 2020, 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 2020, except for two of the subsidiaries in Hong Kong with estimated assessable profits for the year were wholly absorbed by unrelieved tax losses brought forward from previous years.

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.

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 2020 and 2019. For the year ended 31 December 2020 and 2019, PRC Enterprise Income Tax has not been provided as the PRC subsidiaries have no assessable profits.

8. DIVIDENDS

The Directors do not recommend the payment of a dividend for the year ended 31 December 2020 (2019: 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:

	Year ended 31 December	
	2020	2019
	HK\$'000	HK\$'000
Earnings		
Profit for the year attributable to the equity holders of the Company for the purpose of basic earnings per share	<u>26,225</u>	<u>1,602</u>
	2020	2019
Number of shares	'000	'000
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 same as basic earnings per share as there were no potential ordinary shares outstanding during years ended 31 December 2020 and 2019.

10. PROPERTY, PLANT AND EQUIPMENT

At 31 December 2020 and 2019, 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\$4,988,000 (2019: HK\$5,246,000) was recorded under property, plant and equipment.

At 31 December 2020, leasehold land and buildings with an aggregate net book value of approximately HK\$64,497,000 (2019: HK\$66,927,000) were pledged to secure banking facilities granted to the Group.

11. INVESTMENT PROPERTIES

	2020 <i>HK\$'000</i>
Reconciliation of carrying amount	
At the beginning of the reporting period	–
Acquisition of a subsidiary	<u>73,367</u>
At the end of the reporting period	<u><u>73,367</u></u>

12. TRADE AND OTHER RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables		
From third parties	57,535	53,231
Loss allowance	<u>(3,237)</u>	<u>(3,237)</u>
	54,298	49,994
Other receivables		
Deposits, prepayments and other debtors	<u>10,347</u>	<u>11,630</u>
	<u><u>64,645</u></u>	<u><u>61,624</u></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 (2019: HK\$3,237,000) at 31 December 2020 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 (2019: up to 90 days) to its customers. The ageing analysis of trade receivables, net of loss allowance, by invoice date is as follows:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	25,468	25,465
31 – 60 days	17,967	14,779
61 – 90 days	7,255	5,506
Over 90 days	3,608	4,244
	<u>54,298</u>	<u>49,994</u>

At 31 December 2020, amount of approximately HK\$11,671,000 (2019: HK\$9,779,000) included in the trade receivables were in connection with invoice discounting bank loan arrangements.

13. TRADE AND OTHER PAYABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade payables		
To third parties	<u>65,388</u>	<u>55,040</u>
Other payables		
Accrued charges and other creditors	17,955	14,016
Deposits received	16,162	10,492
Due to the Ultimate Controlling Party	45,200	447
Due to a vendor of the acquisition	<u>10,800</u>	<u>–</u>
	<u>90,117</u>	<u>24,955</u>
	<u>155,505</u>	<u>79,995</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:

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Within 30 days	39,110	33,894
31 – 60 days	16,304	13,169
61 – 90 days	8,454	5,608
Over 90 days	<u>1,520</u>	<u>2,369</u>
	<u>65,388</u>	<u>55,040</u>

14. INTEREST-BEARING BORROWINGS

	2020 HK\$'000	2019 HK\$'000
Secured bank borrowings:		
Current portion	<u>45,251</u>	<u>38,548</u>

- (i) Bank borrowings of approximately HK\$11,671,000 (2019: HK\$9,779,000) bear interests at Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.875% per annum (2019: 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\$11,671,000 (2019: HK\$9,779,000) in connection with invoice discounting bank loan arrangements.
- (ii) A bank borrowing of approximately HK\$10,000,000 (2019: HK\$5,000,000) bears interest at HIBOR plus 2.0% per annum (2019: 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\$64,497,000 (2019: HK\$66,927,000).
- (iii) A mortgage loan of approximately HK\$22,624,000 (2019: HK\$23,769,000) bears interest at the lower of HIBOR plus 1.25% per annum and the Hong Kong Dollar Prime Rate minus 2.7% per annum (2019: 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\$64,497,000 (2019: HK\$66,927,000).

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) A mortgage loan of approximately HK\$956,000 at 31 December 2020 bears interest at the lower of Hong Kong Interbank Offered Rate (“HIBOR”) plus 1.4% per annum or Hong Kong Dollar Best Lending Rate minus 2.75% per annum, and is wholly repayable over five years since its inception. The mortgage loan is secured by the investment properties of the Group of aggregate net carrying amount of approximately HK\$73,367,000.

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.

The range of effective interest rates on the interest-bearing borrowings was 2.0% to 4.1% (2019: 2.7% to 4.7%) per annum. All the interest-bearing borrowings are denominated in HK\$.

At 31 December 2020, the Group had banking facilities totalling approximately HK\$73,080,000 (2019: HK\$73,269,000) and undrawn amounts under these banking facilities of approximately HK\$27,829,000 (2019: HK\$34,721,000).

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL OVERVIEW

The Group is pleased to report the results for the year ended 31 December 2020.

During the year ended 31 December 2020, the Group recorded a revenue of approximately HK\$365,715,000 (for the year ended 31 December 2019: approximately HK\$336,704,000), representing an increase of 8.6% over the same period last year. The Group recorded a gross profit of approximately HK\$62,353,000 (for the year ended 31 December 2019: approximately HK\$47,809,000), representing an increase of 30.4% over the same period last year. The gross profit margin increased from 14.2% to 17.0%. The Group recorded profit for the year of approximately HK\$26,225,000 (for the year ended 31 December 2019: approximately HK\$1,602,000).

BUSINESS OVERVIEW

During the year ended 31 December 2020, container throughput of Hong Kong port decreased by 1.8% 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 People's Republic of China (the "PRC").

Notwithstanding the tough operational environment, with the continuous efforts of the Group and the increase in the Group's bargaining power over the Group's customers in terms of the pricing of the Group's services caused by the increase in customers' demand of the feeder shipping services of the Group, the Group's feeder shipping services, carrier owned container services and barge services recorded an increase in revenue of approximately HK\$33,140,000 or 11.1% from approximately HK\$297,361,000 to approximately HK\$330,501,000.

Furthermore, due to the decrease in average unit price of bunker charges of approximately 35%, which was benefited from the significant drop in oil price, the Group's gross profit was increased by approximately HK\$15,405,000 or 37.1%, from approximately HK\$41,529,000 to approximately HK\$56,934,000, for the year ended 31 December 2020, as compared to the same period last year. The Group recorded gross profit margin of the routes ranged from 7.8% to 20.1% for the year ended 31 December 2020 (for the year ended 31 December 2019: ranged from 9.7% to 16.8%).

The Group's sea freight forwarding agency services recorded a decrease in revenue of such services of approximately HK\$4,129,000 or 10.5%, from approximately HK\$39,343,000 to approximately HK\$35,214,000, for the year ended 31 December 2020, as compared to the same period last year. The gross profit margin decreased from 16.0% to 15.4%.

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					
	2020			2019		
	<i>HK\$'000</i>	TEUs	Gross profit margin %	<i>HK\$'000</i>	TEUs	Gross profit margin %
Fujian routes	45,582	39,449	7.8	48,255	37,731	9.7
Guangxi routes	168,354	176,497	20.1	134,802	142,650	16.8
Guangdong routes	71,908	156,330	17.9	72,301	146,818	12.6
Hainan routes	44,657	34,472	14.9	42,003	28,279	12.2
Sea freight forwarding agency services	35,214	9,482	15.4	39,343	10,961	16.0
	365,715	416,230	17.0	336,704	366,439	14.2

The Group’s operational costs totalled approximately HK\$303,362,000, representing an increase of approximately HK\$14,467,000 or 5.0% as compared with the same period last year. The change in operational costs was mainly due to increased costs of feeder shipping services as compared to the same period last year.

The Group’s other income totalled approximately HK\$20,283,000, representing an increase of approximately HK\$5,157,000 as compared to the same period last year. The change in other income was mainly due to the net effect of (i) the increase in the government grants of approximately HK\$8,046,000 for the year ended 31 December 2020 and (ii) the decrease in gain on disposal of property, plant and equipment of approximately HK\$3,597,000. The government grants were mainly 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 the relevant PRC laws, regulations and policies.

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, 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 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, compete with competitors with 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.

Future prospects in property investments

The Group intends to explore future prospects in property investments, with a view to realise the Company's development potential and to magnify the shareholders' return. The Group considered that the recent retreating property market in Hong Kong offers an opportunity for property acquisition by the Group. The Group believes that the recent acquisition of office property represents a good opportunity for the Group to further diversify the source of income and enhance the profitability and asset base of the Group.

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 2020, the Group held bank balances and cash of approximately HK\$102,641,000 (31 December 2019: approximately HK\$74,087,000). The Group had two mortgage loans of approximately HK\$23,580,000 at 31 December 2020 (31 December 2019: one mortgage loan of approximately HK\$23,769,000) and were wholly repayable over five years. Also, the Group had other bank borrowings of approximately HK\$21,671,000 at 31 December 2020 (31 December 2019: approximately HK\$14,779,000) and were wholly repayable within one year since inception. The range of effective interest rates on the borrowings was 2.0% to 4.1% (for the year ended 31 December 2019: 2.7% to 4.7%) 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 2020, calculated based on the total borrowings to the equity attributable to owners of the Company, was 34.4% (31 December 2019: 35.9%).

Although the Group had net current liabilities of approximately HK\$29,933,000 as at 31 December 2020, 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. For this reason and as disclosed in note 2 of the consolidated financial statements, the Directors consider it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

There has been no material change in the capital structure of the Company during the year ended 31 December 2020. 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 2020. 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 2020, 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 2020.

Charge on group assets

As at 31 December 2020, leasehold land and building amounting to approximately HK\$64,497,000 (31 December 2019: approximately HK\$66,927,000), investment properties amounting to HK\$73,367,000 (31 December 2019: Nil), trade receivables amounted to approximately HK\$11,671,000 (31 December 2019: approximately HK\$9,779,000) in connection with invoice discounting bank loan arrangements and bank deposits amounting to approximately HK\$789,000 (31 December 2019: approximately HK\$1,962,000) were pledged as security for bank facilities.

Contingent liabilities

As at 31 December 2020, 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

By 31 December 2020, the listing proceeds have been fully utilised as intended. 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 of the Company dated 19 May 2017 and 10 December 2018 regarding the change in use of proceeds, and actual usage up to 31 December 2020:

	Proposed application <i>HK\$’ million</i>	Actual usage up to the date of this announcement <i>HK\$’ million</i>
Acquisition of barges	19.45	19.45
Operating expenses of barges	10.00	10.00
Acquisition of headquarter in Hong Kong	32.20	32.20
Acquiring additional containers and upgrading computer system and software	7.00	7.00
General working capital	11.65	11.65
	<u>80.30</u>	<u>80.30</u>

The proceeds were 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 2020, 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

On 2 November 2020, Mr. Lau Yu Leung and Madam Tong Hung Sum, being the vendors, and Ever Harvest International Holdings Limited (an indirect wholly-owned subsidiary of the Company), being the purchaser, entered into the acquisition agreement, pursuant to which (i) Mr. Lau Yu Leung and Madam Tong Hung Sum conditionally agreed to sell, and the purchaser conditionally agreed to acquire the entire issued share capital of Eternity Hong Kong Investment Limited; and (ii) Mr. Lau Yu Leung agreed to assign and the purchaser agreed to take assignment of the entire amount of the shareholder’s loan, at an aggregate consideration of HK\$74,000,000. The above transaction was completed on 22 December 2020.

Upon the completion, Eternity Hong Kong Investment Limited becomes an indirect wholly-owned subsidiary of the Company and accordingly, the financial results of Eternity Hong Kong Investment Limited will be consolidated into the accounts of the Group.

Save as disclosed above, during the year ended 31 December 2020, 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 for those disclosed in this announcement, there were no other significant investments held. 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 2020, the Group has a total of 193 employees (31 December 2019: total 191 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 Board has resolved not to recommend the payment of a dividend for the year ended 31 December 2020.

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 2020.

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 2020.

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 2020 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 2020. 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 2020, 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

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, 26 March 2021

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.