# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in the Company, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.



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)**

# DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF BARGES AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser**
**to the Independent Board Committee and the Independent Shareholders**

VEDA | CAPITAL
智 略 資 本

A letter from the Board is set out on pages 4 to 15 of this circular.

A notice convening the extraordinary general meeting of the Company (the "**EGM**") to be held at 10:00 a.m., on Wednesday, 20 February 2019 at the 17/F, Excel Centre, 483A Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, is set out on pages EGM-1 to EGM-2 of this circular.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting thereof (as the case may be) should you so wish.

Hong Kong, 25 January 2019

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*In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:*

| | |
|---|---|
| "Acquisition" | the acquisition of the Barges by the Vendors to the Purchaser pursuant to the Agreements; |
| "Agreements" | collectively, Agreement 1, Agreement 2 and Agreement 3; |
| "Agreement 1" | the agreement dated 10 December 2018 entered into between Vendor 1 and the Purchaser in relation to the Acquisition; |
| "Agreement 2" | the agreement dated 10 December 2018 entered into between Vendor 2 and the Purchaser in relation to the Acquisition; |
| "Agreement 3" | the agreement dated 10 December 2018 entered into between Vendor 3 and the Purchaser in relation to the Acquisition; |
| "associate(s)" | has the meaning ascribed to it under the Listing Rules; |
| "Barges" | collectively, Barge 1, Barge 2 and Barge 3; |
| "Barge 1" | 永豐 112, owned by Vendor 1 as at the Latest Practicable Date; |
| "Barge 2" | Ever Harvest 113, owned by Vendor 2 as at the Latest Practicable Date; |
| "Barge 3" | Ever Harvest 118, owned by Vendor 3 as at the Latest Practicable Date; |
| "Board" | the board of Directors; |
| "Company" | Ever Harvest Group Holdings Limited, a company incorporated in Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange; |
| "Completion Date" | a date within one (1) month from the date on which approval of the Agreements and the transactions contemplated thereunder by the Shareholders having been obtained; |
| "Consideration" | collectively, Consideration 1, Consideration 2 and Consideration 3; |
| "Consideration 1" | the consideration of HK$2,950,000 payable by the Purchaser to Vendor 1 for the Acquisition; |
| "Consideration 2" | the consideration of HK$3,500,000 payable by the Purchaser to Vendor 2 for the Acquisition; |

| | |
|---|---|
| "Consideration 3" | the consideration of HK$13,000,000 payable by the Purchaser to Vendor 3 for the Acquisition; |
| "Controlling shareholder(s)" | has the meaning ascribed thereto in the Listing Rules; |
| "Director(s)" | the director(s) of the Company; |
| "EGM" or "Extraordinary General Meeting" | an extraordinary general meeting of the Company to be held to consider and, if thought fit, approve, among other things, the Agreements and the transactions contemplated thereunder; |
| "Group" | the Company and its subsidiaries as at the Latest Practicable Date; |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong; |
| "Hong Kong" | the Hong Kong Special Administrative Region; |
| "Independent Board Committee" | an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Agreements and the transactions contemplated thereunder; |
| "Independent Financial Adviser" or "Veda Capital" | Veda Capital Limited, a corporation licensed under the SFO to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Agreements and the transactions contemplated thereunder; |
| "Independent Shareholders" | all Shareholders other than Mr. Lau Yu Leung, Madam Tong Hung Sum, Mr. Lau Tak Fung Wallace and Mr. Lau Tak Kee Henry, and those who have a material interest in the Agreements and the transactions contemplated thereunder; |
| "Independent Third Party(ies)" | individual(s) or company(ies) not connected with any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates; |
| "Latest Practicable Date" | 21 January 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular; |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange; |
| "PRC" | the People's Republic of China, which for the purpose of this circular, excludes Hong Kong, the Macau Special Administrative Region and Taiwan; |
| "Purchaser" | Millions Good Limited (万升有限公司), a wholly-owned subsidiary of the Company; |

| | |
|---|---|
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); |
| "Shareholder(s)" | holders of the Shares; |
| "Share(s)" | ordinary share(s) of the Company; |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited; |
| "Vendors" | collectively, Vendor 1, Vendor 2 and Vendor 3; |
| "Vendor 1" | Ever Harvest Harbour Transportation Limited (永豐港口運輸有限公司), a limited liability company established under the laws of Hong Kong; |
| "Vendor 2" | Ever Harvest Cargo Express Limited (永豐貨運有限公司), a limited liability company established under the laws of Hong Kong; and |
| "Vendor 3" | Ever Harvest Marine Transport Limited (永豐海運有限公司), a limited liability company established under the laws of Hong Kong. |

# 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)**

*Executive Directors:*
Mr. Lau Yu Leung *(Chairman)*
Mr. Lau Tak Fung Wallace
Mr. Lau Tak Kee Henry

*Non-executive Director:*
Madam Tong Hung Sum

*Independent Non-Executive Directors:*
Mr. Lo Wan Sing Vincent
Mr. Lam Lo
Mr. Lee Ka Lun
Mr. Kam Leung Ming

*Registered Office in the Cayman Islands:*
Estera Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108

*Headquarter and Principal Place of Business in Hong Kong:*
17/F, Excel Centre
483A Castle Peak Road
Cheung Sha Wan
Kowloon
Hong Kong

25 January 2019

*To the Shareholders*

Dear Sir/Madam,

## DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF BARGES

### INTRODUCTION

References are made to the Company's voluntary announcement dated 2 November 2018 and the announcement dated 10 December 2018 in relation to, among other things, the Acquisition. On 10 December 2018, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreements with the Vendors whereby the Purchaser agreed to purchase and the Vendors agreed to sell the Barges at the Consideration of HK$19,450,000.

**THE AGREEMENTS**

**Agreement 1**

Date: 10 December 2018

**Parties**

(1) Vendor 1; and

(2) the Purchaser

**Asset to be acquired**

Vendor 1 agreed to sell Barge 1 to the Purchaser.

Barge 1 is a 1993 built dumb lighter, namely "永豐 112". Vendor 1 acquired Barge 1 in 2015 at the cost of HK$2,600,000. Barge 1, at the time of its delivery, will be free from all encumbrances (including mortgages, charters and liens (including maritime liens) created by Vendor 1 or against Barge 1 by any third party).

The net profits (losses) before and after taxation and extraordinary items attributable to Barge 1 for the financial years ended 31 December 2016 and 31 December 2017 were as follows:

| | **Financial year ended 31 December 2017** *HK$* | **Financial year ended 31 December 2016** *HK$* |
|---|---|---|
| Net profits (losses) before taxation and extraordinary items attributable to Barge 1 | 286,000 | (137,000) |
| Net profits (losses) after taxation and extraordinary items attributable to Barge 1 | 286,000 | (137,000) |

**Consideration**

Pursuant to the terms of Agreement 1, the consideration of HK$2,950,000 ("Consideration 1") shall be payable in cash by the Purchaser to Vendor 1 on or before the delivery of Barge 1.

Consideration 1 has been arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and Vendor 1 and was determined after taking into account (i) the market intelligence that the Group has gathered from its own analysis of recently concluded sale and purchase of barges of comparable size and year of built in the market; and (ii) the valuation of Barge 1 as at 20 November 2018 of approximately HK$2,950,000 as appraised by RHL Appraisal Limited, an independent valuer, the valuation report of which is contained in Appendix I to this circular.

**Condition Precedent**

Vendor 1's obligation to sell and the Purchaser's obligation to purchase Barge 1 under Agreement 1 are conditional upon the approval of Agreement 1 and the transactions contemplated thereunder by the Shareholders having been obtained.

**Delivery and Completion**

Barge 1 shall be delivered to the Purchaser on an "as is, where is" basis, together with certificate of ownership and operating licence of Barge 1. Barge 1 and risks associated with it shall rest with Vendor 1 until it is delivered to the Purchaser, and Vendor 1 shall be responsible for all creditor's rights and debts relating to Barge 1 before the Completion Date.

Barge 1 is expected to be delivered on the Completion Date. Upon completion of Agreement 1, Vendor 1 will cease to have any interest in Barge 1.

**Termination**

If Barge 1 becomes an actual, constructive or compromised total loss before delivery, Agreement 1 shall be null and void.

If Consideration 1 is not paid in accordance with Agreement 1, Vendor 1 shall have the right to terminate Agreement 1. Vendor 1 shall not be entitled to claim further compensation for its losses and for all expenses incurred thereunder.

If Vendor 1 fails to deliver Barge 1 in accordance with Agreement 1, the Purchaser shall have the option to terminate Agreement 1, and Vendor 1 shall compensate the Purchaser for its losses and for all expenses if the failure is due to proven negligence of Vendor 1 and whether or not the Purchaser terminates Agreement 1.

**Agreement 2**

Date: 10 December 2018

**Parties**

(1) Vendor 2; and

(2) the Purchaser

**Asset to be acquired**

Vendor 2 agreed to sell Barge 2 to the Purchaser.

Barge 2 is a 1994 built dumb lighter, namely "Ever Harvest 113". Vendor 2 acquired Barge 2 in 2017 at the cost of HK$2,900,000. Barge 2, at the time of its delivery, will be free from all encumbrances (including mortgages, charters and liens (including maritime liens) created by Vendor 2 or against Barge 2 by any third party).

The net losses before and after taxation and extraordinary items attributable to Barge 2 for the financial years ended 31 December 2016 and 31 December 2017 were as follows:

| | **Financial year ended 31 December 2017** *HK$* | **Financial year ended 31 December 2016** *HK$* |
|---|---|---|
| Net losses before taxation and extraordinary items attributable to Barge 2 | (393,000) | (420,000) |
| Net losses after taxation and extraordinary items attributable to Barge 2 | (393,000) | (420,000) |

**Consideration**

Pursuant to the terms of Agreement 2, the consideration of HK$3,500,000 ("Consideration 2") shall be payable in cash by the Purchaser to Vendor 2 on or before the delivery of Barge 2.

Consideration 2 has been arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and Vendor 2 and was determined after taking into account (i) the market intelligence that the Group has gathered from its own analysis of recently concluded sale and purchase of barges of comparable size and year of built in the market; and (ii) the valuation of Barge 2 as at 20 November 2018 of approximately HK$3,500,000 as appraised by RHL Appraisal Limited, an independent valuer, the valuation report of which is contained in Appendix I to this circular.

**Condition Precedent**

Vendor 2's obligation to sell and the Purchaser's obligation to purchase Barge 2 under Agreement 2 are conditional upon the approval of Agreement 2 and the transactions contemplated thereunder by the Shareholders having been obtained.

**Delivery and Completion**

Barge 2 shall be delivered to the Purchaser on an "as is, where is" basis, together with certificate of ownership and operating licence of Barge 2. Barge 2 and risks associated with it shall rest with Vendor 2 until it is delivered to the Purchaser, and Vendor 2 shall be responsible for all creditor's rights and debts relating to Barge 2 before the Completion Date.

Barge 2 is expected to be delivered on the Completion Date. Upon completion of Agreement 2, Vendor 2 will cease to have any interest in Barge 2.

**Termination**

If Barge 2 becomes an actual, constructive or compromised total loss before delivery, Agreement 2 shall be null and void.

If Consideration 2 is not paid in accordance with Agreement 2, Vendor 2 shall have the right to terminate Agreement 2. Vendor 2 shall not be entitled to claim further compensation for its losses and for all expenses incurred thereunder.

If Vendor 2 fails to deliver Barge 2 in accordance with Agreement 2, the Purchaser shall have the option to terminate Agreement 2 and Vendor 2 shall compensate the Purchaser for its losses and for all expenses if the failure is due to proven negligence of Vendor 2 and whether or not the Purchaser terminates Agreement 2.

**Agreement 3**

Date: 10 December 2018

**Parties**

(1) Vendor 3; and

(2) the Purchaser

**Asset to be acquired**

Vendor 3 agreed to sell Barge 3 to the Purchaser.

Barge 3 is a 2004 built dumb lighter, namely "Ever Harvest 118". Vendor 3 acquired Barge 3 in 2013 at the cost of HK$11,330,000. Barge 3, at the time of its delivery, will be free from all encumbrances (including mortgages, charters and liens (including maritime liens) created by Vendor 3 or against Barge 3 by other third party).

The net profits (losses) before and after taxation and extraordinary items attributable to Barge 3 for the financial years ended 31 December 2016 and 31 December 2017 were as follows:

| | **Financial year ended 31 December 2017** *HK$* | **Financial year ended 31 December 2016** *HK$* |
|---|---|---|
| Net profits (losses) before taxation and extraordinary items attributable to Barge 3 | 152,000 | (285,000) |
| Net profits (losses) after taxation and extraordinary items attributable to Barge 3 | 152,000 | (285,000) |

**Consideration**

Pursuant to the terms of Agreement 3, the consideration of HK$13,000,000 ("Consideration 3") shall be payable in cash by the Purchaser to Vendor 3 on or before the delivery of Barge 3.

Consideration 3 has been arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and Vendor 3 and was determined after taking into account (i) the market intelligence that the Group has gathered from its own analysis of recently concluded sale and purchase of barges of comparable size and year of built in the market; and (ii) the valuation of Barge 3 as at 20 November 2018 of approximately HK$13,000,000 as appraised by RHL Appraisal Limited, an independent valuer, the valuation report of which is contained in Appendix I to this circular.

**Condition Precedent**

Vendor 3's obligation to sell and the Purchaser's obligation to purchase Barge 3 under Agreement 3 are conditional upon the approval of Agreement 3 and the transactions contemplated thereunder by the Shareholders having been obtained.

**Delivery and Completion**

Barge 3 shall be delivered to the Purchaser on an "as is, where is" basis, together with certificate of ownership and operating licence of Barge 3. Barge 3 and risks associated with it shall rest with Vendor 3 until it is delivered to the Purchaser, and Vendor 3 shall be responsible for all creditor's rights and debts relating to Barge 3 before the Completion Date.

Barge 3 is expected to be delivered on the Completion Date. Upon completion of Agreement 3, Vendor 3 will cease to have any interest in Barge 3.

**Termination**

If Barge 3 becomes an actual, constructive or compromised total loss before delivery, Agreement 3 shall be null and void.

If Consideration 3 is not paid in accordance with Agreement 3, Vendor 3 shall have the right to terminate Agreement 3. Vendor 3 shall not be entitled to claim further compensation for its losses and for all expenses incurred thereunder.

If Vendor 3 fails to deliver Barge 3 in accordance with Agreement 3, the Purchaser shall have the option to terminate Agreement 3, and Vendor 3 shall compensate the Purchaser for its losses and for all expenses if the failure is due to proven negligence of Vendor 3 and whether or not the Purchaser terminates Agreement 3.

**REASONS FOR AND BENEFITS OF THE ACQUISITION**

A master services agreement has been entered into between China-HK Shipping Limited and the Company on 30 June 2016, for a term commencing on 6 July 2016 and ended on 31 December 2018 for the provision of the barge services. China-HK Shipping Limited charters the Barges from the Vendors and provides the barge services. For the two years ended 31 December 2017 and 6 months ended 30 June 2018, the Group paid HK$18,516,000, HK$13,415,000 and HK$5,874,000 respectively under the master services agreement.

For the two years ended 31 December 2017 and 6 months ended 30 June 2018, the Barges chartered by China-HK Shipping Limited provided barge services to the Group and other independent local shipping companies/warehouses. The Directors are of the view that as the demand of the Group for barge services has been relatively stable throughout the 2 years ended 31 December 2017 and 6 months ended 30 June 2018, the Barges are able to satisfy the Company's annual requirement for barge services and have surplus capacity for providing barge services to other parties. In order to utilise the Barges to the fullest extent, the Company intends that, after satisfying the Company's annual requirement, the

Barges may provide barge services (such as handling and storage of containers, lifting and shafting, and other handling services) which are similar to those provided to the Group to other parties using the surplus capacity. Further, the Directors are of the view that there shall be no change in the scale of barge operations before and after the Acquisition with respect to the Barges.

In around November 2018, the Group was reviewing the master services agreement as the agreement would expire on 31 December 2018. The Group considers that the Acquisition, being a vertical integration, will substantially reduce costs in relation to continuing provision of the barge services, and improve efficiency in providing barge services to the Group. As the Acquisition is subject to shareholders' approval, in order to maintain barge services, which are essential to the operation of the Group, the Directors considered it necessary to continue to purchase the barge services from China-HK Shipping Limited, and the Group entered into a new master services agreement for the period of 6 months ending 30 June 2019, and the Group will cease to purchase barge services from China-HK Shipping Limited after the Acquisition is completed. For details of the new master services agreement, please refer to the announcement of the Company dated 20 December 2018 and the supplemental announcement of the Company dated 27 December 2018.

According to the valuation report of the Barges which is set out in Appendix I to the circular, the normal expected lives of dumb lighters are 35 years, and the expected remaining useful life of Barge 1, Barge 2 and Barge 3 are approximately 10, 10 and 20 years respectively. Despite the ages of the Barges, the maintenance cost were and are expected to be constant during the useful lives of the Barges.

The Acquisition will be funded by the adjusted allocation from the net proceeds from the initial public offering of the Company as proposed in the Company's announcement dated 10 December 2018. As disclosed in the prospectus dated 23 June 2016 in respect of the Group's initial public offering (the "**Prospectus**") and the announcement dated 19 May 2017 in relation to the change in use of proceeds (the "**2017 Announcement**"), the Directors intended to apply the net proceeds from the initial public offering of the Company, amounted to approximately HK$80,300,000 (the "**Net Proceeds**"), as follows:

– approximately 45% of the Net Proceeds for addition of three to four vessels to the Group's vessel fleet ("**Expansion of the Group's vessel fleet**");

– approximately 40% of the Net Proceeds for the acquisition of headquarter in Hong Kong ("**Acquisition of headquarter in Hong Kong**");

– approximately 5% of the Net Proceeds for acquiring additional containers, and upgrading computer system and software to support the Group's business growth ("**Acquiring additional containers and upgrading computer system and software**"); and

– approximately 10% of the Net Proceeds for general working capital of the Group ("**General working capital**").

The table below sets out the summary of utilisation of the Net Proceeds as at 30 June 2018 and adjusted allocation after the change in use of proceeds proposed in the Company's announcement dated 10 December 2018:

| **Intended applications** | **Allocation of Net Proceeds as disclosed in the Prospectus**<br>*HK$' million* | **Allocation as at the date of the 2017 Announcement**<br>*HK$' million* | **Amount utilised as at 30 June 2018**<br>*HK$' million* | **Adjusted allocation after the change in use of proceeds proposed in the Company's announcement dated 10 December 2018**<br>*HK$' million* |
|---|---|---|---|---|
| Expansion of the Group's vessel fleet | 36.1 | 36.1 | – | – |
| Development of container depot in Pingtan Free Trade Zone | 32.2 | – | – | – |
| Acquisition of headquarter in Hong Kong | – | 32.2 | (32.2) | – |
| Acquiring additional containers and upgrading computer system and software | 4.0 | 4.0 | (4.0) | 3.0 |
| General working capital | 8.0 | 8.0 | (8.0) | 3.65 |
| Funding the Acquisition | – | – | – | 19.45 |
| Operating expenses of the Barges after the Acquisition | – | – | – | 10.0 |
| | 80.3 | 80.3 | (44.2) | 36.1 |

The Directors (including the independent non-executive Directors) consider that the Acquisition is in the interest of the Company and the Independent Shareholders of the Company as a whole.

## INFORMATION ON THE VENDORS

Each of the Vendors is incorporated in Hong Kong and is principally engaged in providing its self-owned barges for hire and transportation service.

As at the Latest Practicable Date, Vendor 1 was owned as to 50% by Mr. Lau Yu Leung and 50% by Madam Tong Hung Sum, each a Director and Controlling Shareholder.

As at the Latest Practicable Date, Vendor 2 was owned as to 55% by Mr. Lau Yu Leung and 45% by Madam Tong Hung Sum, each a Director and Controlling Shareholder.

As at the Latest Practicable Date, Vendor 3 was owned as to 50% by Mr. Lau Yu Leung and 50% by Madam Tong Hung Sum, each a Director and Controlling Shareholder.

## INFORMATION ON THE GROUP

The Group is principally engaged in feeder shipping services, carrier owned container services and sea freight forwarding agency services.

## LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios in respect of the Acquisition is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and publication requirements under Chapter 14 of the Listing Rules.

Vendor 1, Vendor 2 and Vendor 3 are beneficially owned by Mr. Lau Yu Leung and Madam Tong Hung Sum, each a Director and Controlling Shareholder. Each of the Vendors is therefore an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, which will be subject to reporting, announcement and the Independent Shareholders' approval at the EGM.

The Independent Board Committee, comprising Mr. Lo Wan Sing Vincent, Mr. Lam Lo, Mr. Lee Ka Lun and Mr. Kam Leung Ming, all being independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Agreements and the transactions contemplated thereunder. Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on page 16 of this circular.

The Company has appointed Veda Capital Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Agreements and the transactions contemplated thereunder. Your attention is drawn to the letter of advice set out on pages 17 to 30 to this circular.

## EXTRAORDINARY GENERAL MEETING

A notice convening the EGM to be held at 10:00 a.m., on Wednesday, 20 February 2019 at 17/F, Excel Centre, 483A Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong, is set out on pages EGM-1 to EGM-2 of this circular for the purpose of considering and, if thought fit, passing the ordinary resolution as set out therein. Voting at the EGM will be by way of poll.

You will find enclosed a form of proxy for use at the EGM. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

Pursuant to the articles of association of the Company and the Listing Rules, a Director shall not vote on any resolution of the Board in respect of any contract or arrangement or proposal in which he or any of his associate(s) has/have a material interest, and if he shall do so his vote shall not be counted. Accordingly, all the executive Directors (namely, Mr. Lau Yu Leung, Mr. Lau Tak Fung Wallace and Mr. Lau Tak Kee Henry) and the non-executive Director (namely, Madam Tong Hung Sum) are required to abstain and have abstained from voting on the relevant Board resolutions to approve the Agreements and the transactions contemplated thereunder.

Mr. Lau Yu Leung, Mr. Lau Tak Fung Wallace, Mr. Lau Tak Kee Henry and Madam Tong Hung Sum were beneficially interested in 1,050,000,000 Shares, representing approximately 75% of Shares issued as at the Latest Practicable Date. As such, Mr. Lau Yu Leung, Mr. Lau Tak Fung Wallace, Mr. Lau Tak Kee Henry and Madam Tong Hung Sum and their associates are required to abstain from voting for the resolution approving the Agreements and the transactions contemplated thereunder at the EGM. Save as disclosed above, to the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no other Shareholder has a material interest in the Acquisition. Accordingly, save for Mr. Lau Yu Leung, Mr. Lau Tak Fung Wallace, Mr. Lau Tak Kee Henry and Madam Tong Hung Sum and their associates, no other Shareholder is required to abstain from voting for the resolution to approve the Agreements and the transactions contemplated thereunder at the EGM.

## CLOSURE OF REGISTER OF MEMBERS OF THE COMPANY

The register of members of the Company will be closed from Friday, 15 February 2019 to Wednesday, 20 February 2019 (both dates inclusive) during which period no transfer of Shares will be registered. In order to attend and vote at the EGM, all transfer of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, 14 February 2019.

## RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 16 of this circular which contains its recommendations to the Independent Shareholders on the Agreements and the transactions contemplated thereunder and the letter of advice from the Independent Financial Adviser which contains, amongst other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to the Agreements and the transactions contemplated thereunder as set out from pages 17 to 30 of this circular. Your attention is also drawn to the valuation report of the Barges as at 20 November 2018 which is set out in Appendix I to the circular.

The Directors consider that the Agreements and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Company, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the relevant ordinary resolution to be proposed at the EGM.

Your attention is also drawn to the additional information set out in the appendices of this circular.

Yours faithfully,
By Order of the Board
**Ever Harvest Group Holdings Limited**
**Lau Yu Leung**
*Chairman*

# 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)**

25 January 2019

*To the Independent Shareholders*

Dear Sir or Madam,

## DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF BARGES

We refer to the circular of the Company to the Shareholders dated 25 January 2019 (the "**Circular**"), in which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter will have the same meanings given to them in the Circular.

We have been authorised by the Board to form the Independent Board Committee to advise the Independent Shareholders on whether the Agreements and the transactions contemplated thereunder, are entered into on normal commercial terms, are fair and reasonable so far as the Company and the Independent Shareholders are concerned, and in the interests of the Shareholders as a whole.

We wish to draw your attention to the letter of advice from Veda Capital Limited (the "**Independent Financial Adviser**") as set out on pages 17 to 30 of the Circular and the letter from the Board set out on pages 4 to 15 of the Circular. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in relation to the Agreements and the transactions contemplated thereunder.

Having considered, among other matters, the terms of the Agreements, the factors and reasons considered by, and the opinion of the Independent Financial Adviser as stated in its letter of advice, we consider that the Agreements and the transactions contemplated thereunder, which are entered into in the ordinary and usual course of business of the Company, are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Agreements and the transactions contemplated thereunder, to be proposed at the EGM.

Yours faithfully,
**Ever Harvest Group Holdings Limited**
*Independent Board Committee*

*The following is the full text of the letter from the Independent Financial Adviser setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the terms of the Agreements and the transactions contemplated thereunder, which has been prepared for the purpose of inclusion in this circular.*

VEDA | CAPITAL
智 略 資 本

Room 1106, 11/F.
Wing On Centre
111 Connaught Road Central
Hong Kong

25 January 2019

*To: Independent Board Committee and the Independent Shareholders of*
*Ever Harvest Group Holdings Limited*

Dear Sirs,

## DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO ACQUISITION OF BARGES

### INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in respect of the Acquisition, details of which are set out in the circular of the Company dated 25 January 2019 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise specifies.

On 10 December 2018, the Purchaser, a wholly-owned subsidiary of the Company, entered into the Agreements with the Vendors whereby the Purchaser agreed to purchase and the Vendors agreed to sell the Barges at the Consideration of HK$19,450,000.

As set out in the "Letter from the Board" of the Circular (the "**Board Letter**"), as one of the applicable percentage ratios in respect of the Acquisition is greater than 5% but less than 25%, as calculated under Rule 14.07 of the Listing Rules, the Acquisition constitutes a discloseable transaction for the Company and is subject to the notification and publication requirements under Chapter 14 of the Listing Rules.

Vendor 1, Vendor 2 and Vendor 3 are owned by Mr. Lau Yu Leung and Madam Tong Hung Sum, each a Director and Controlling Shareholders. Each of the Vendors is therefore an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules, which will be subject to reporting, announcement and the Independent Shareholders' approval at the EGM.

The executive Directors including Mr. Lau Yu Leung, Mr. Lau Tak Fung Wallace and Mr. Lau Tak Kee Henry and the non-executive Director Madam Tong Hung Sum are required to abstain and have abstained from voting on the relevant Board resolutions to approve the Agreements and the transactions contemplated thereunder.

An Independent Board Committee, comprising Mr. Lo Wan Sing Vincent, Mr. Lam Lo, Mr. Lee Ka Lun and Mr. Kam Leung Ming, all being independent non-executive Directors, has been formed to advise the Independent Shareholders in relation to the Agreements and the transactions contemplated thereunder, and we have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard. Our appointment has been approved by the Independent Board Committee. The EGM will be convened and held for the Independent Shareholders to consider, and if thought fit, approve, among other matters, the Agreements and the transaction contemplated thereunder.

Mr. Lau Yu Leung, Mr. Lau Tak Fung Wallace, Mr. Lau Tak Kee Henry and Madam Tong Hung Sum were beneficially interested in 1,050,000,000 Shares, representing approximately 75% of Shares issued as at the Latest Practicable Date. As such, Mr. Lau Yu Leung, Mr. Lau Tak Fung Wallace, Mr. Lau Tak Kee Henry and Madam Tong Hung Sum and their associates are required to abstain from voting for the resolution approving the Agreements and the transactions contemplated thereunder. Save as disclosed above, to the best of the knowledge of the Directors, information and belief having made all reasonable enquiries, no other Shareholders has a material interest in the Acquisition. Accordingly, save for Mr. Lau Yu Leung, Mr. Lau Tak Fung Wallace, Mr. Lau Tak Kee Henry and Madam Tong Hung Sum and their associates, no other Shareholder is required to abstain from voting for the resolution to approve the Agreements and the transactions contemplated thereunder.

## OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, or other services provided to, the Company or any other parties that could reasonably be regarded as relevant to our independence in the past two years. Given our independent role and normal professional fees received from the Company under this engagement, we consider it would not affect our independence to form our opinion in this letter.

Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser in relation to the Acquisition, no arrangements existed whereby we had received or would receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent pursuant to Rule 13.84 of the Listing Rules.

## BASIS AND ASSUMPTIONS OF OUR OPINION

In formulating our advice and recommendations to the Independent Board Committee and the Independent Shareholders, we have relied on the accuracy of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company and the Directors. We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Company and the Directors, for which they are solely and wholly responsible, are true, accurate and complete in all respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Directors, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not, carried out any independent verification of the information provided by the Directors, nor have conducted any independent investigation into the business, financial conditions and affairs of the Company or its future prospects. The Directors have collectively and individually accepted full responsibility, including particulars given in compliance with the Listing Rules, for the accuracy of the information contained in the Circular and have confirmed, after having made all reasonable enquires, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other matters of facts the omission of which would make any statement herein or the Circular misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the Agreement and the transactions contemplated thereunder, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In giving our recommendations to the Independent Board Committee and the Independent Shareholders in relation to the Agreements and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

### Background information

#### *Information of the Group*

As set out in the Board Letter, the Group is principally engaged in feeder shipping services, carrier owned container services and sea freight forwarding agency services.

#### *Historical financial performance of the Group*

We have set out the key financial information of the Group for the two years ended 2017 and for the six months ended 30 June 2018, respectively, as extracted from the annual report of the Company for the year ended 31 December 2017 (the "**AR 2017**") and the interim report of the Company for the six months ended 30 June 2018 (the "**IR 2018**").

*Consolidated statement of profit or loss*

| | For the six months ended 30 June | For the year ended 31 December | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | (unaudited) | (audited) | (audited) |
| Revenue | 168,241 | 345,004 | 364,259 |
| Loss for the period/year attributable to equity holders of the Company | (4,931) | (1,161) | (7,208) |

*Consolidated statement of financial position*

| | As at 30 June | As at 31 December | |
|---|---|---|---|
| | 2018 | 2017 | 2016 |
| | *HK$'000* | *HK$'000* | *HK$'000* |
| | (unaudited) | (audited) | (audited) |
| Total assets | 239,110 | 238,975 | 219,175 |
| Total liabilities | 124,226 | 118,675 | 100,460 |
| Net assets | 114,884 | 120,300 | 118,715 |

As illustrated above, the Group's revenue decreased from HK$364,259,000 for the year ended 31 December 2016 to HK$345,004,000 for the year ended 31 December 2017, representing a decrease of approximately 5.29%. We noted that such decrease in revenue was mainly attributable to the decrease in revenue of the Guangdong routes and Hainan routes.

The Group's loss attributable to equity holders of the Company for the year ended 31 December 2017 amounted to HK$1,161,000. This represented a significant improvement as compared to the loss attributable to equity holders of the Company of HK$7,208,000 recorded for the year ended 31 December 2016. As disclosed in the AR 2017, the Group's results for the year 2017 was contributed by the decrease in the administrative and other operating expenses from HK$84,890,000 for the year ended 31 December 2016 to HK$63,545,000 for the year ended 31 December 2017.

As disclosed in the IR 2018, for the six months ended 30 June 2018, the Group generated a revenue of HK$168,241,000, which showed a decrease of approximately 3.14% from the same corresponding period in 2017 (i.e. HK$173,696,000), and recorded an operating loss of HK$4,931,000 in contrast to the operating profit of HK$110,000 for the six months ended 30 June 2017. The decrease in revenue that coupled with the turnaround of the results was mainly due to the decrease in revenue of Fujian routes and the other income during the six months ended 30 June 2018.

***Information of the Vendors***

Each of the Vendors is incorporated in Hong Kong and is principally engaged in providing its self-owned barges for hire and transportation service.

As at the Latest Practicable Date, the Vendor 1 was owned as to 50% by Mr. Lau Yu Leung and 50% by Madam Tong Hung Sum, each a Director and Controlling Shareholder.

As at the Latest Practicable Date, the Vendor 2 was owned as to 55% by Mr. Lau Yu Leung and 45% by Madam Tong Hung Sum, each a Director and Controlling Shareholder.

As at the Latest Practicable Date, the Vendor 3 was owned as to 50% by Mr. Lau Yu Leung and 50% by Madam Tong Hung Sum, each a Director and Controlling Shareholder.

***Information of the Barges***

*Barge 1*

According to the Agreement 1, the Vendor 1 agreed to dispose Barge 1 to the Purchaser. Barge 1 is a 1993 built dumb lighter, namely "永豐112". Vendor 1 acquired Barge 1 in 2015 at the cost of HK$2,600,000. Barge 1, at the time of its delivery, will be free from all encumbrances (including mortgages, charters and liens (including maritime liens) created by Vendor 1 or against Barge 1 by any third party). The net profit after taxation and extraordinary items attributable to Barge 1 for the year ended 31 December 2017 was HK$286,000.

*Barge 2*

According to the Agreement 2, the Vendor 2 agreed to dispose Barge 2 to the Purchaser. Barge 2 is a 1994 built dumb lighter, namely "Ever Harvest 113". Vendor 2 acquired Barge 2 in 2017 at the cost of HK$2,900,000. Barge 2, at the time of its delivery, will be free from all encumbrances (including mortgages, charters and liens (including maritime liens) created by Vendor 2 or against Barge 2 by any third party). The net loss after taxation and extraordinary items attributable to Barge 2 for the year ended 31 December 2017 was HK$393,000.

*Barge 3*

According the Agreement 3, the Vendor 3 agreed to dispose Barge 3 to the Purchaser. Barge 3 is a 2004 built dumb lighter, namely "Ever Harvest 118". Vendor 3 acquired Barge 3 in 2013 at the cost of HK$11,330,000. Barge 3, at the time of its delivery, will be free from all encumbrances (including mortgages, charters and liens (including maritime liens) created by Vendor 3 or against Barge 3 by any third party). The net profit after taxation and extraordinary items attributable to Barge 3 for the year ended 31 December 2017 was HK$152,000.

**Reasons for and benefits of the Acquisition**

The Group has been engaging in providing its self-owned barges for hire and transportation service business and for the past two and a half years, the first master services agreement has been entered into between China-HK Shipping Limited and the Company on 30 June 2016, for a term commencing on 6 July 2016 and ended on 31 December 2018 for the provision of the barge services, and a new master services agreement has been entered into between China-HK Shipping Limited and the Company on 20 December 2018, for a term commencing on 1 January 2019 and ending on 30 June 2019 (the "**Master Services Agreement**"). China-HK Shipping Limited is directly owned as to 100% by Mr. Lau Yu Leung (being a Director and the Controlling shareholders, and hence a connected person of the Company as the Latest Practicable Date) and it charters the Barges from the Vendors and provides the barge services. The entering into the Master Services Agreement between China-HK Shipping Limited and the Company constituted continuing connected transactions for the Company. For the year ended 31 December 2017 and for the six months ended 30 June 2018, the Group paid HK$13,415,000 and HK$5,874,000 respectively to China-HK Shipping Limited under the Master Services Agreement.

For the two years ended 31 December 2017 and for the six months ended 30 June 2018, the Barges chartered by China-HK Shipping Limited provided barge services to the Group and other independent local shipping companies/warehouses. The Directors are of the view that there shall be no change in the scale of barge operations before and after the Acquisition with respect to the Barges.

As set out in the IR 2018, the PRC's exports value and imports value recorded continuous improvement since the year 2017. Yet, with strong competitors joining the market of regional shipping carriers, the Group is facing unprecedented price competition. Throughout the years in the waterborne trade market, the Group experienced several economic cycles and industry storms, and thrived to expand our shipping network by capitalising market opportunities. The Group will continue to look for various market opportunities and plan ahead for upcoming challenges, and maximise and safeguard shareholders' interests.

In around November 2018, the Group was reviewing the first master services agreement as the agreement would be expired on 31 December 2018. The Group considers that the Acquisition, being a vertical integration, will substantially reduce costs in relation to continuing provision of the barge services, and improve efficiency in providing barge services to the Group. As the Acquisition is subject to shareholders' approval, in order to maintain barge services, which are essential to the operation of the Group, the Directors considered it is necessary to continue to purchase the barge services from China-HK Shipping Limited, and the Company entered into a new master services agreement for the period of six months ending 30 June 2019, and the Group will cease to purchase barge services from China-HK Shipping Limited after the Acquisition is completed.

As advised by the management of the Company, assuming the Company had acquired the Barges as at 1 January 2017, the cost of services of the Barges (including the depreciation and all the incremental costs (such as repair and maintenance expenses, license fee, insurances premium, etc.) will be amounted to approximately HK$6,600,000 for the year ended 31 December 2017 and approximately HK$3,900,000 for six months ended 30 June 2018, which are significantly less than the service fee paid by the Group to China-HK Shipping Limited under the Master Services Agreement for the year ended 31 December 2017 and for the six months ended 30 June 2018 (i.e. HK$13,415,000 and HK$5,874,000 respectively).

Assuming the Barges had been acquired since 1 January 2017 and the Master Services Agreement had been expired or terminated on 31 December 2016, the Barges would have been sufficient to cover all services provided to the Group during the year ended 31 December 2017 and the six months ended 30 June 2018 with lower cost of service.

According to the valuation report of the Barges which is set out in Appendix I to the Circular (the "**Valuation Report**"), the normal expected lives of dumb lighters are 35 years, and the expected remaining useful life of Barge 1, Barge 2 and Barge 3 are approximately 10, 10 and 20 years respectively. Despite the ages of the Barges, the maintenance costs were and are expected to be constant during the useful lives of the Barges.

As part of the cost saving strategy, we consider that the Acquisition represents a good opportunity for the Group to form a vertically integrated business model and to capitalise on the established market position, expertise and experience in the sea freight transportation and freight forwarding services industry. Upon completion of the Acquisition, the Group will have the entire control of the Barges which the Acquisition will enable the Group to fully benefit from the Barges through reducing the barge services cost. We are of the view that the Acquisition represents a cost saving strategic move by the Group. Moreover, from a corporate governance point of view, the Acquisition would also have the benefit of eliminating substantial existing continuing connected transactions between the Group and China-HK Shipping Limited.

The Directors (excluding the independent non-executive Directors) consider that the Acquisition is in the interest of the Company and the Independent Shareholders of the Company as a whole.

***Marine transportation market prospective***

According to the Review of Maritime Transport 2018 (the "**RMT 2018**") published by United Nation Conference on Trade and Development on 3 October 2018, the global seaborne trade is flourishing, supported by the year 2017 upswing in the world economy. The total volumes have reached 10.7 billion tons, reflecting an additional 411 million tons, nearly half of which were made of dry bulk commodities. The global marine transportation industry is expected to reach a value of approximately US$210 billion by 2021, helped by return of global demand as oil prices increase.

Moreover, as noted in the RMT 2018, the PRC's 'One Belt One Road' (the "**OBOR**") policy is set to redefine trade patterns between Asia and Europe, with seismic repercussions for the maritime industry that will unlock commercial opportunities. The various projects under OBOR have the potential to generate growth and boost seaborne trade volumes through increased demand for raw materials and semi-finished and finished products according to the RMT 2018.

Furthermore, the Maritime Silk Road will have a particularly impact on the maritime transportation industry, driven by substantial Chinese investment in maritime infrastructure. Infrastructure developments of the size of the initiative require large amounts of construction materials in the form of dry bulk commodities, steel products, cement, heavy machinery and equipment. Improvements in connectivity through enhanced transport infrastructure, linking manufacturing industry or agriculture to global markets, could strengthen many countries' economic growth and boost trade. These developments have favourable implications for container shipping and bulk commodities trade. This policy will expand and diversify China's trade routes, by increase market access to Europe. The China-Europe maritime corridor is also important for China's trade with the US, with container shipping between China and the US East Coast increasingly making use of the Suez Canal.

Having considered that (i) the Master Services Agreement will be expired on 30 June 2019; (ii) the Acquisition will substantially reduce costs in relation to continuing provision of the barge service as a vertical integration effect with the Group's existing businesses; (iii) the Group will have the entire control of the Barges which the Acquisition will enable the Group to fully benefit from the Barges through reducing the barge services cost; (iv) the Acquisition would also have the benefit of eliminating substantial existing continuing connected transactions between the Group and China-HK Shipping Limited; and (v) the prospects of the maritime service based on the current development and governmental policy, we are of the view that the Acquisition is fair and reasonable.

**Principal terms of the Agreements**

***Agreement 1***

**Date:** 10 December 2018

**Parties:**
(i) Vendor 1
(ii) The Purchaser

**Assets to be acquired:** Barge 1

**Consideration:** Pursuant to the terms of Agreement 1, the consideration of HK$2,950,000 ("**Consideration 1**") shall be payable in cash by the Purchaser to Vendor 1 on or before the delivery of Barge 1.

Consideration 1 has been arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and Vendor 1 and was determined after taking into account (i) the market intelligence that the Group has gathered from its own analysis of recently concluded sale and purchase of barges of comparable size and year of built in the market; and (ii) the valuation of Barge 1 as at 20 November 2018 of approximately HK$2,950,000 as appraised by RHL Appraisal Limited, an independent valuer, the valuation report of which is contained in Appendix I to the Circular.

***Agreement 2***

**Date:** 10 December 2018

**Parties:**
(i) Vendor 2
(ii) The Purchaser

**Assets to be acquired:** Barge 2

**Consideration:** Pursuant to the terms of Agreement 2, the consideration of HK$3,500,000 ("**Consideration 2**") shall be payable in cash by the Purchaser to Vendor 2 on or before the delivery of Barge 2.

Consideration 2 has been arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and Vendor 2 and was determined after taking into account (i) the market intelligence that the Group has gathered from its own analysis of recently concluded sale and purchase of barges of comparable size and year of built in the market; and (ii) the valuation of Barge 2 as at 20 November 2018 of approximately HK$3,500,000 as appraised by RHL Appraisal Limited, an independent valuer, the valuation report of which is contained in Appendix I to the Circular.

***Agreement 3***

**Date:** 10 December 2018

**Parties:**

(i) Vendor 3

(ii) The Purchaser

**Assets to be acquired:** Barge 3

**Consideration:** Pursuant to the terms of Agreement 3, the consideration of HK$13,000,000 ("**Consideration 3**") shall be payable in cash by the Purchaser to Vendor 3 on or before the delivery of Barge 3.

Consideration 3 has been arrived at based on normal commercial terms after arm's length negotiations between the Purchaser and Vendor 3 and was determined after taking into account (i) the market intelligence that the Group has gathered from its own analysis of recently concluded sale and purchase of barges of comparable size and year of built in the market; and (ii) the valuation of Barge 3 as at 20 November 2018 of approximately HK$13,000,000 as appraised by RHL Appraisal Limited, an independent valuer, the valuation report of which is contained in Appendix I to the Circular.

**Evaluation of the Consideration**

In assessing the fairness and reasonableness of the Consideration, we have primarily considered the valuation of the Barges (the "**Valuation**"), details of which are set out in Appendix I to the Circular prepared by an independent valuer (the "**Valuer**").

***Barges Valuation***

The Company has appointed the Valuer to prepare a valuation for the market value of the Barges as at 20 November 2018. Pursuant to the Valuation Report, the total aggregate appraised value of the Barges was HK$19,450,000 as at 20 November 2018, which is equal to the aggregate amount of the Consideration, i.e. HK$19,450,000.

Details of the Valuation have been set out in Appendix I to the Circular.

For our due diligence purpose, we have reviewed the Valuation Report and the underlying valuation workings and discussed with the Valuer, including, among other things:

(i) the terms of engagement of the Valuer with the Company in connection with the Acquisition and its independency. We consider that the scope of valuation work per the engagement letter entered into between the Company and the Valuer are appropriate for the purpose of the Acquisition. Save for such engagement, the Valuer has confirmed that it is independent from the Company, the Vendors, the Purchaser and any of their respective associates;

(ii) the qualification and experience of the Valuer in relation to the valuation of the Barges. We are given to understand that the Valuer is certified with the relevant professional qualifications required to perform the valuation in connection with the Acquisition. Mr. Sunny C.K. Lee is the one of the professionals who is responsible to the valuation of the Barges. He has over 20 years of valuation experience and has expertise covers the valuation with similar nature to the Barges. According to the track record of Mr. Sunny C.K. Lee, we note that he experienced in undertaking plant and machinery valuation (including vessel valuation); and

(iii) the valuation methodology, procedures and assumptions adopted by the Valuer in preparing the Valuation Report. The Valuer advised that they had performed necessary due diligence for the preparation of the Valuation Report which includes inspections, made relevant enquiries and searches and obtained such further information as considered necessary, and conducted its own proprietary research for similar vessel to the Barges. Further details are set forth in the Valuation Report contained in Appendix I to the Circular.

In arriving at the appraised value of the Barges, we are given to understand that the Valuer made no allowance in their valuation for costs, if any, associated with the disposal or handling of materials required to comply with current or changing environment legislations.

We have interviewed the Valuer and reviewed the valuation methodology and assumptions adopted by the Valuer in relation to the Valuation. We are given to understand that income approach is excluded as no relevant financial information relating to the individual Barges was available. As advised by the Valuer, the depreciated replacement cost method has been adopted as the principal method in carrying out the Valuation. According to the "HKIS Valuation Standards 2017" issued by the Hong Kong Institute of Surveyors, depreciated replacement cost is one of the common cost approach methods. Depreciated Replacement Cost is a method in the absence of sufficient market data to arrive at the market value of plant and equipment by means of market-based evidence, and is based on an estimate of the current cost of replacing the existing use of the Barges, plus the costs of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation, and cross checked with available second-hand market transactions and comparables.

As advised by the Valuer, the Valuer has estimated the replacement cost of each of the Barges through the information and quotation of the steel hull and barge accessories price per net tons of a barge from shipbuilders' agent in the PRC (the "**Agent**"). After taking into account of the adjustment for newness for each of the Barges, the Valuer applied the depreciation factor on each of the Barges using straight line method based on the 35 years normal useful life for a barge.

We have interviewed the Valuer and are given to understand that the Agent had attempted to obtain information and quotation from three shipbuilders' agents in the PRC, however, only one of them provided information and quotation namely Jiangsu Lan Bo Shipbuilding Co., Ltd (the "**Shipbuilder**"). As noted from the website of the Shipbuilder, the Shipbuilder is based in Jiangsu province of the PRC. It is a sizeable shipyard with more than 67 years history and development, and well reputation in the shipbuilding industry of the PRC. We are also advised by the Valuer that it is a common practice to estimate the replacement cost of barge or vessel through obtaining information and quotation from shipbuilders' agent.

Also, as stated in the Valuation Report, the replacement cost new of a 1,900 gross tonnage barge ranged from HK$14,000,000 to HK$16,000,000, and the replacement cost new of a 2,900 gross tonnage barge ranged from HK$22,000,000 to HK$24,000,000 as quoted from a shipbuilders' agent in the PRC. We noted from the Valuation Report that the Valuer adopted the lower end of the quotation as a conservative and prudent purpose (i.e. HK$14,000,000 and HK$22,000,000 as the replacement cost of the 1,900 and 2,900 gross tonnage Barges respectively).

Given that (i) the information and quotation in respect of the new barge was obtained from the Shipbuilder which is a sizeable and well developed shipyard with well reputation in the industry; (ii) obtaining information and quotation from shipbuilders' agent for the replacement cost of barge or vessel is common practice to estimate the replacement cost of barge or vessel; and (iii) the Valuer adopted the lower end of the quotations as a conservative and prudent purpose, we are of the view that the replacement costs of Barges adopted by the Valuer are fair and reasonable.

As stated in the Valuation Report, in determining the normal useful life, American Society of Appraisers in "*Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets*" Third Edition, at page 312, Chapter 13 – Marine Asset Appraisals stated that : "*An example of this might be an inland waters tank barge which, at the end of its designed 30-year normal economic life as a tank barge, is taken out of this heavily inspected service and may then get 5–10 more years as a deck cargo barge or docking barge (floating pier). At a third stage, this barge may still have scrap value…*". We have discussed with the Valuer in relation to the normal useful life of the Barges and are given to understanding that it is a normal practice to assume 35 years normal useful life for a barge from their professional experience. The Valuation Report also stated that the residual values of each of the Barges were made reference to the demolish shipyard scrap metal prices and multiplied by the net weight of each of the Barges.

In relation to the adjustment of newness, the Valuer advised that they have carried out on-site inspection to the physical condition of the Barges and assessed the current condition of each of the Barges, including but not limited to the barges' structure and appearance, maintenance and repair record, and the condition of barges' equipments and accessories. The Valuer has applied the adjustment of newness on the valuation of each of the Barges based on their respective current condition.

In respect of the condition of the Barges, we have also carried out on-site inspection of the Barges and inspected the relevant documents of the Barges, including but not limited to the certificate of ownership, operating license, certificate of survey and the maintenance and repair record.

Given that (i) it is a normal practice to assume 35 years normal useful life for a barge and the Valuer applied the depreciation factor on each of the Barges using straight line method based on the 35 years normal useful life for a barge; and (ii) the adjustment for newness adopted by the Valuer is determined through the on-site inspection and the Valuer's professional assessment with reference to, among other things, the maintenance and repair record, we are of the view that the depreciation factor and adjustment for newness adopted by the Valuer are fair and reasonable.

Furthermore, in order to formulate the fair market value of the Barges under the depreciated replacement cost method, the Valuer has also considered the factors, including but not limited to, the age, size and maintenance and repair record of the Barges.

We also noted from the Valuer that the Valuer has also made reference to market price of similar barges, which available, as a simple "cross check" method (the "**Cross Check Method**"). The Valuer has made reference to 3 recent actual asking prices of the barges (the "**Comparable Barges**") each a "**Comparable Barge**") from the websites of several vessel trading companies, which (i) has the same function as the Barges; (ii) has similar size; (iii) are in similar age as the Barges; and (iv) has similar specifications and accessories as the Barges. We have noted from the Valuer that as there is no price transparency in the trading of barges market and it is difficult to obtain all comparable transactions from public source and thus 3 Comparable Barges are considered as fair and representative samples to the Barges being valued. As advised by the Valuer, we are given to understand that the Cross Check Method served as a reference and simple "cross check" purpose.

We noted that the asking prices of the Comparable Barges have no significant difference with the fair market value of the Barges as appraised by the Valuer, which set out as follows:

Comparable Barges for Barge 1 and Barge 2:

| | **Fair Market Value as at 20 Nov 2018** |
|---|---|
| Barge 1 | HK$3,500,000 |
| Barge 2 | HK$2,950,000 |

| | **Asking Prices** |
|---|---|
| Comparable barge 1 | HK$3,000,000 |
| Comparable barge 2 | HK$4,000,000 |

Comparable Barge for Barge 3:

| | **Fair Market Value as at 20 Nov 2018** |
|---|---|
| Barge 3 | HK$13,000,000 |
| | **Asking Price** |
| Comparable barge 3 | HK$13,500,000 |

For due diligence purpose, we have visited the abovementioned websites of several vessel trading companies and we have conducted independent search on all the Comparable Barges. The information of the Comparable Barges displayed on the website is consistent with findings of the Valuer. We noted that the age and size of the Comparable Barges are closely resemble to the Barges and the Comparable Barges has the same function as the Barges.

Given that (i) the references were made to the Barges which the selection criteria listed above are in line with the features of the Barges, including but not limited to, the function, size, ages and specifications and accessories; (ii) there is no price transparency in the trading of barges market; and (iii) the age and size of the Comparable Barges are closely resemble to the Barges and the Comparable Barges has the same function as the Barges, we are of the view that the Comparable Barges identified are fair, reasonable and representative for comparison, and analysis of the Comparable Barges provides a simple "cross check" reference as to the Valuation.

Having considered (i) our analysis on the methodology, basis and assumptions of the Valuation as mentioned above; (ii) the Valuer is independent from the Company, the Vendors, the Purchaser and any of their respective associates; (iii) the Valuer has used the depreciated replacement cost method as the principle valuation method as well as the Cross Check Method to cross check the Valuation; and (iv) the Valuer has sufficient qualification and experience for preparation of the Valuation Report, we are of the view that the methodologies, principal basis and assumptions adopted for the Valuation are fair and reasonable.

Having taken into account of (i) the Valuation as discussed above; and (ii) the total Consideration of the Barges is equal to the aggregate market value of the Barges as appraised by the Valuer, we are of the view that the Consideration is fair and reasonable.

## RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Agreements and the transactions contemplated thereunder are (i) fair and reasonable; (ii) on normal commercial terms and in the ordinary and usual course of business of the Group; and (iii) the Acquisition is in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend Independent Shareholders to vote in favour of the relevant resolution for approving the Agreements and the transaction contemplated thereunder.

Yours Faithfully,
For and on behalf of
**Veda Capital Limited**

| | |
|---|---|
| **Hans Wong** | **Julisa Fong** |
| *Chairman* | *Managing Director* |

*Mr. Hans Wong is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 23 years of experience in investment banking and corporate finance.*

*Ms. Julisa Fong is a Responsible Officer under the SFO to engage in Type 6 (advising on corporate finance) regulated activity and has over 22 years of experience in investment banking and corporate finance.*

*The following is the text of a valuation report prepared for the purpose of incorporation in this circular received from RHL Appraisal Limited., an independent valuer, in connection with its valuation as at 20 November 2018 of the Barges held by Ever Harvest Group Holdings Limited.*

永利行評值顧問有限公司
RHL Appraisal Limited
Corporate Valuation & Advisory

T +852 2730 6212
F +852 2736 9284

Room 1010, 10/F, Star House,
Tsimshatsui, Hong Kong

25 January 2019

**The Board of Directors**
**Ever Harvest Group Holdings Limited**
17/F, Excel Centre,
483A Castle Peak Road,
Cheung Sha Wan, Kowloon,
Hong Kong

Dear Sir/Madam,

## I. INSTRUCTIONS

In accordance with the instructions by Ever Harvest Group Holdings Limited (the "Company") for us to value three units of barges named 永豐 112, Ever Harvest 113 and Ever Harvest 118 (the "Barges") exhibited to us held by the Company and its subsidiaries (together referred to as the "Group"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market values of the Barges as at 20 November 2018 (the "Valuation Date").

This letter which forms part of our valuation report explains the basis and methodologies of valuation, clarifying assumptions, valuation considerations, title investigations and limiting conditions of this valuation.

## II. BASIS OF VALUATION

The valuation is our opinion of the market value ("Market Value") which we would define as intended to mean the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's–length transaction after proper marketing wherein the parties had each acted knowledgeably prudently and without compulsion.

Market Value is understood as the value of an asset or liability estimated without regard to costs of sale or purchase and without offset for any associated taxes or potential taxes.

The market value is the best price reasonably obtainable in the market by the seller and the most advantageous price reasonably obtainable in the market by the buyer. This estimate specifically excludes an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangements, joint ventures, management agreements, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

## III. VALUATION METHODOLOGY

There are generally three accepted approaches for our valuation, namely:

### The Cost Approach

The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets including costs of transport, installation, commissioning and consultants' fees. Adjustment is then made for accrued depreciation, which encompasses condition, utility, age, wear and tear, functional and economic obsolescence.

### The Market Approach

The market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparative.

### The Income Approach

The income approach is the present worth of the future economic benefits of ownership. This approach is generally applied to an aggregation of assets which consists of all assets of a business enterprise including working capital and tangible and intangible assets.

### Analysis

In developing our opinion on the market value for the Barges, the income approach is excluded as no relevant financial information relating to the individual Barge was available; we therefore put more of our emphasis on the market approach and the cost approach. For this appraisal, the cost (Depreciated Replacement Cost) approach was the principal method adopted to arrive at our opinion of value. Depreciated Replacement Cost is based on an estimate of the current cost of replacing the existing use of the Barges, plus the costs of the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimisation, and cross checked with available second-hand market transactions and comparables.

The particular of the Barges is tabulated as below:

| Name of Vessel | Date of 1st Licensed | Length (m) | Breadth (m) | Depth (m) | Gross Tonnage | Net Tonnage |
|---|---|---|---|---|---|---|
| 永豐112 | 7/6/1993 | 46.34 | 19.64 | 4.88 | 1,880.45 | 1,316.31 |
| Ever Harvest 113 | 20/6/1994 | 46.36 | 19.64 | **4.88 | 1,882.31 | 1,317.61 |
| Ever Harvest 118 | 8/4/2004 | 49.93 | 24.80 | 5.79 | 2,903.00 | 2,032.00 |

** Information from client

The Barges under review are classified as crane barge, it equipped with a derrick crane and is mainly used for transport of container in the river trade by the Company. For this type of vessels, normal useful life can be determined through vessel scrapping statistics. The remaining economic useful life is a judgement based on the inspection of the Barges and the state in which the vessels are being operated.

In determining the normal useful life, American Society of Appraisers in "*Valuing Machinery and Equipment: The Fundamentals of Appraising Machinery and Technical Assets*" Third Edition, at page 312, Chapter 13 – Marine Asset Appraisals stated that: "*An example of this might be an inland waters tank barge which, at the end of its designed 30-year normal economic life as a tank barge, is taken out of this heavily inspected service and may then get 5–10 more years as a deck cargo barge or docking barge (floating pier). At a third stage, this barge may still have scrap value....*"

In such case, we have estimated the normal useful life of the Barges at 35 years, the residual or scrapped value was deducted from the replacement cost new before the remaining economic life calculation is made, and applies straight-line depreciation to the Barges.

For performing the cost approach on Barges valuation, we have relied on the replacement cost information of the Barges from the China shipbuilders' agent. In accessing the replacement new cost, factors in respect of ship certification, design, type, size, specification, function, tonnages, the numbers of TEU accommodate, the derrick crane capacity and equipment have been considered. Through a shipbuilder agent, we requested ship building quotations with the specifications of 永豐112, Ever Harvest 113 and Ever Harvest 118 from three China shipbuilders. Among the three China shipbuilders, only Jiangsu Lan Bo Shipbuilding Co., Ltd., provided a cost estimation to the agent. The Jiangsu Lan Bo Shipbuilding Co., Ltd., founded in 1951, is the first founding shipbuilder enterprise in Jiangsu Province and the first identified hi-tech marine enterprise by Jiangsu provincial government. Its shipyard complied with the ISO9001, ISO14001, OHSAS 18001 and ISO50001 operation systems, pursuing continuous improvements of products quality and maintains a high degree of customer satisfaction. After understanding the background, expertise, and international certifications of the Jiangsu Lan Bo Shipbuilding Co., Ltd. mentioned, and our extensive experience in vessel valuation, we consider the cost estimation is fair and reasonable even though it is the only quotation received.

The replacement cost new of a 1,900 gross tonnage barge ranged from HKD14,000,000 to HKD16,000,000, and the replacement cost new of a 2,900 gross tonnage barge ranged from HKD22,000,000 to HKD24,000,000. In this valuation, we adopted the bottom cost, i.e. HKD14,000,000 and HKD22,000,000, as the replacement cost new of the 1,900 and 2,900 gross tonnage Barges respectively.

In order to properly assign depreciation for physical deterioration, we have carried out on-site inspection to the physical condition of the Barges. We are noted that the Barges were in normal working condition without heavy corrosion, deformation and fractures to the side shell plate, the ship hull and frame were structural sound, the derrick cranes and associated equipment was in normal useful condition. The detail conditions of the Barges are as below.

1. 永豐 112 – normal wear and tear was noted on the shell plate of the barge, derrick crane and hoisting cable, maintenance and repair is recommended, 15% physical depreciation adjustment was applied.

2. Ever Harvest 113 – normal wear and tear was noted on the shell plate of the barge, maintenance and repair is recommended, 10% physical depreciation adjustment was applied.

3. Ever Harvest 118 – no rusting, damage or deformation was noted, the paint coatings on the barge prevent corrosive agency attack on the metal surface and form of protection, no physical depreciation applied.

At the inspection, we noted that the barge Ever Harvest 118 carried out overall maintenance and repair in June 2018, including (i) inspection and certification by the Chartered Surveyors; (ii) repair and replacement of lifesaving equipment; (iii) installation of fire services, anchor system, generator set, pressure vessels, electrical insulation; (iv) de-rust and re-painting to the shell plate, ship hull, derrick crane, and the vessel structure; (v) replacement of pulley system, hoisting cable with associated equipment, etc., for renewal of license purpose. Thus, a 10% upward adjustment was applied representing the cost of improvements, and as a result of overhaul maintenance and repair.

Functional obsolescence – the consideration for functional obsolescence is a barge's payload. We have reference to the original designed capacity and review how much can it carry in normal operation, to ascertain the extent of functional obsolescence. In this valuation, we have not found any alteration to the deadweight tonnage or capacity reduction of the barges. In the same time, the Barges are not powered by engine and cannot propel on their own, they are towed or pushed by tow boards in travelling, thus, the Barges will not encounter the problem of engine performance deterioration. Therefore, no sign of functional obsolescence was noted.

Economic obsolescence – these barges are inspected by Marine Department of HKSAR to ensure the safe design, manning, operation and maintenance. The inspection is mandated in Hong Kong where the barges are registered, no economic obsolescence was noted.

The Depreciated Replacement Cost (DRC) approach is used for estimate the market values of the Barges, we adopt 14 million and 22 million Hong Kong Dollars to represent the replacement cost new of three barges, deduction the residual value, and apply adjustment for newness then calculate the depreciation to arrive the market value. The newness factor is determined at the inspection. We have observed the existing condition, and apply an upward adjustment or downward adjustment to affect the current level of newness of the Barges. Then post depreciation factor is calculated by using straight line methodology, which is remaining useful life/normal useful life. The calculation is summarized as below. The residual value is made reference to demolish shipyard scrap metal price multiplied by net weight of the Barges.

| Name of Vessel | Replacement Cost (HKD) | Residual value | Replacement cost less residual value | Adjustment for Newness | NUL (Yr.) | PDF | Market Value (DRC) | Market Value as at 20/11/2018 (HKD) |
|---|---|---|---|---|---|---|---|---|
| 永豐112 | 14,000,000 | 1,100,073 | 12,899,927 | 0.85 | 35 | 0.272 | 2,985,210 | 2,950,000 |
| Ever Harvest 113 | 14,000,000 | 1,101,165 | 12,898,835 | 0.9 | 35 | 0.302 | 3,504,040 | 3,500,000 |
| Ever Harvest 118 | 22,000,000 | 1,698,450 | 20,301,550 | 1.1 | 35 | 0.582 | 12,998,710 | 13,000,000 |
| Total: | | | | | | | | 19,450,000 |

Depreciated replacement cost is used where there is no active market for the asset being valued, that is, where there is no useful or relevant evidence of recent sales transactions due to the specialized nature of the asset, and it is impractical to produce a reliable valuation using other methods. Also, Market Approach is used for cross-check. Reference has been made to market price of similar vessel which determined with respect to specific classification, function, age, condition etc.. The Used Barges comparables selected are summarized as below:

Comparable of 永豐112 & Harvest 113:

| Type of Vessel | L (m) | B (m) | D (m) | Gross Ton. | Net Ton. | Price (HKD) | Location | Sources |
|---|---|---|---|---|---|---|---|---|
| Crane Barge (1997 Built) | 46.36 | 19.22 | 4.88 | 1294 | 642 | 4,000,000 | Hong Kong | Cranebbs.com |
| Crane Barge (1994 Built) | 46.35 | 19.19 | 4.88 | 1,877.34 | 1,314.14 | 3,000,000 | Hong Kong | cnshipnet.com |

Comparable of Ever Harvest 118:

| Type of Vessel | L (m) | B (m) | D (m) | Gross Ton. | Net Ton. | Price (HKD) | Location | Sources |
|---|---|---|---|---|---|---|---|---|
| Crane Barge (2003 Built) | 49.93 | 24.688 | 5.791 | 2,906 | 2,034 | 13,500,000 | China | Ship.soship.com |

The basis of selecting the comparable barges includes types of vessels, the certification, design, size, age, tonnages, capacity, condition, derrick crane and accessories, location, certificate, manufacturer (if possible), market conditions, price, quality, quantity and type of sale. As the market for Barges transaction is not transparent, it is difficult to obtain all relevant transactions information from public source. Considered that the above listed comparable are of the similar size, age and tonnage to the Barges being valued, they are considered as fair and representative samples for cross check purpose.

In the course of valuation, we have perused records, conducted interviews with senior management and obtain relevant information with regard to the Barges.

## IV. SCOPE OF INVESTIGATION, ASSUMPTIONS AND CONSIDERATIONS

Consideration had been given to accrued depreciation that was based on the observed condition and present and prospective serviceability in comparison with new units of like kind including, maintenance policy, characters, levels of use and all other factors that are deemed to have an influence on its value, as well as recent market prices of comparable items to the Barges in a similar classification with due consideration to their age and condition.

In forming our opinion of the market value of the Barges, we have assumed that they will continue to be used in its present existing state in the similar business as the Company for which they were designed, built and erected, without specific reference to income.

The opinion of market value of the Barges as constructed for intended utilisation is not necessarily intended to represent the amount that might be realised from piecemeal disposition of the Barges in the open market or from alternative uses of the Barges.

We have assumed that the Barges will be used in their present existing state with the benefit of continuity during the foreseeable future.

We have made no investigation of and assumed no responsibility for titles to the Barges. We have also assumed in our valuation that the Barges are free from any encumbrance.

Our valuation of the Barges did not attempt to arrive at any conclusion of total values of the Company as a business entity.

We did not investigate any financial data pertaining to the present or prospective earning capacity of the operation in which the Barges was used.

We had not carried out a mechanical survey, nor have we inspected covered or inaccessible areas of the Barges. Also, no investigation was conducted as to whether the operation of specific pieces of the Barges complied with the relevant environmental standards and ordinances; we had assumed that the Barges continued and would continue to comply with the current environmental standards and ordinances. We made no allowance in our valuation for costs, if any, associated with the disposal or handling of materials required to comply with current or changing environment legislations.

We have relied on the information provided by the Company in valuing the Barges.

## V. LIMITING CONDITIONS

We have totally disregarded such items of the Barges which, in our opinion, have no practical take-up value or are normally charged as operating expenses.

We are not prepared to give testimony or attendance in court or to any government agency with reference to the Barges.

Unless otherwise stated, the Barges has been valued in Hong Kong Dollars (HKD).

## VI. CONCLUSION OF VALUES

Based on the investigation described, it is our opinion that as of 20 November 2018, the market value of the Barges is reasonably represented by the amount of HONG KONG DOLLARS NINETEEN MILLION FOUR HUNDRED FIFTY THOUSAND (HKD19,450,000).

For the purpose of this appraisal, we have reviewed the acquisition records and survey report as well as other related technical specifications and documents supplied to us by the Company. We have relied to a considerable extent on such records, listings, specifications and documents in arriving at our opinion of value.

We hereby certify that we have neither present nor a prospective interest in the Barges or the value reported.

Yours faithfully,
For and on behalf of
**RHL Appraisal Ltd.**

**Jessie X. Chen**
MRICS, MSc (Real Estate), BEcon
*Associate Director*

**Sunny C.K. Lee**
MSc, BEng (Hons), CEng., MIMechE,
MSAE, AMHKIE,

*Sr Jessie X. Chen is a Registered Professional Surveyor (Valuation) with over 8 years' experience in valuation of properties in HKSAR, Macau SAR, mainland China and the Asia Pacific Region. Sr Chen is a Professional Member of The Royal Institution of Chartered Surveyors.*

*Mr. Sunny C.K. Lee is a Chartered Mechanical Engineer and he has extensive experience in plant and machinery and vessels valuation in Greater China and the Asia-Pacific Region.*

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

## 2. DISCLOSURE OF INTERESTS

*Interests and short positions of directors and chief executives in Shares, underlying Shares or debentures of the Company and its associated corporations*

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules were as follows:

*The Company*

| Name of Directors | Capacity/Nature of interest | Number and class of securities[1] | Approximate percentage of interest in the Company |
|---|---|---|---|
| Mr. Lau Yu Leung[2] | Interest of controlled corporation[3] and interest of spouse[4] | 945,000,000 Shares (L) | 67.50% |
| Madam Tong Hung Sum[2] | Interest of controlled corporation[5] and interest of spouse[6] | 945,000,000 Shares (L) | 67.50% |
| Mr. Lau Tak Fung Wallace | Interest of controlled corporation[7] | 52,500,000 Shares (L) | 3.75% |
| Mr. Lau Tak Kee Henry | Interest of controlled corporation[8] | 52,500,000 Shares (L) | 3.75% |

*Notes:*

1. The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Shares.

2. Mr. Lau Yu Leung is the spouse of Madam Tong Hung Sum.

3. 892,500,000 Shares are registered in the name of Ever Winning Investment, which is owned as to 100% by Mr. Lau Yu Leung.

4. 52,500,000 Shares are registered in the name of Ever Forever Investment Company Limited, which is owned as to 100% by Madam Tong Hung Sum, the spouse of Mr. Lau Yu Leung. Mr. Lau Yu Leung is deemed to be interested in Madam Tong Hung Sum's interest in the Company by virtue of the SFO.

5. 52,500,000 Shares are registered in the name of Ever Forever Investment Company Limited, which is owned as to 100% by Madam Tong Hung Sum.

6. 892,500,000 Shares are registered in the name of Ever Winning Investment, which is owned as to 100% by Mr. Lau Yu Leung, the spouse of Madam Tong Hung Sum. Madam Tong Hung Sum is deemed to be interested in Mr. Lau Yu Leung's interest in the Company by virtue of the SFO.

7. 52,500,000 Shares are registered in the name of Ever Miracle Investment Company Limited, which is owned as to 100% by Mr. Lau Tak Fung Wallace.

8. 52,500,000 Shares are registered in the name of Ever Glorious Investment Company Limited, which is owned as to 100% by Mr. Lau Tak Kee Henry.

*Associated Corporations*

| Name of Directors | Name of associated corporation | Nature of interest | Number and class of securities in the associated corporation | Approximate percentage of interest in the associated corporation |
|---|---|---|---|---|
| Mr. Lau Yu Leung | Ever Winning Investment | Beneficial Owner [(1)] | 1 ordinary share | 100% |
| Madam Tong Hung Sum | Ever Winning Investment | Interest of spouse [(2)] | 1 ordinary share | 100% |

*Notes:*

1. The disclosed interest represents the interests in the associated corporation, Ever Winning Investment, which is held as to 100% by Mr. Lau Yu Leung.

2. Madam Tong Hong Sum is the spouse of Mr. Lau Yu Leung. By virtue of the SFO, Madam Tong Hong Sum is deemed to be interested in the 1 share of Ever Winning Investment held by Mr. Lau Yu Leung.

Save as disclosed above and to the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be recorded in the register required to be kept under Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code set out in Appendix 10 to the Listing Rules.

*Substantial Shareholders*

As at the Latest Practicable Date, the following persons/entities, other than those disclosed in the section headed "Interests and short positions of directors and chief executives in Shares, underlying Shares or debentures of the Company and its associated corporations", had its interests and/or short positions in the Shares and underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO or as recorded in the register required to be kept under section 336 of the SFO:

*Interest in the Company*

| Name of Shareholder | Capacity/Nature of interest | Number and class of securities[1] | Approximate percentage of interest in the Company |
|---|---|---|---|
| Ever Winning Investment[2] | Beneficial Owner | 892,500,000 Shares (L) | 63.75% |

*Notes:*

1. The letter "L" denotes a person's long position (as defined under Part XV of the SFO) in the Shares.

2. The Company is held as to approximately 63.75% by Ever Winning Investment.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any persons, other than Directors or chief executives of the Company, who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under section 336 of the SFO.

## 3. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors had any interest, either directly or indirectly, in any assets which has since 31 December 2017 (being the date to which the latest published audited consolidated financial statements of the Group were made up) up to the Latest Practicable Date, been acquired or disposed of by or leased to, any member of the Group or are proposed to be acquired or disposed of by, or leased to, any member of the Group.

## 4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or proposed to enter into any service agreements with any member of the Group, excluding contracts expiring or determinable by the Group within one year without payment of compensation (other than statutory compensation).

## 5. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2017 (the date of which the latest published audited accounts of the Group were made up.

## 6. COMPETING INTERESTS OF DIRECTORS

As at the Latest Practicable Date, so far as the Directors are aware of, none of the Directors nor their respective close associates had any personal interests in companies engaged in business, which compete or may compete with the Group.

## 7. OTHER INTERESTS OF THE DIRECTORS

As at the Latest Practicable Date,

(a) none of Directors had any material direct or indirect interest in any assets which have been, since 31 December 2017 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and

(b) none of the Directors was materially interested in any contract or arrangement subsisting which was significant in relation to the business of the Group.

## 8. LITIGATION

At as the Latest Practicable Date, there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group.

## 9. EXPERTS' QUALIFICATIONS AND CONSENTS

The followings are the qualifications of the experts who have given opinion or, advice contained in this circular:

| Name | Qualification |
|---|---|
| RHL Appraisal Limited | Professional surveyor and independent qualified valuer |
| Veda Capital Limited | A corporation licensed to carry out Type 6 (advising on corporate finance) regulated activities under SFO |

As as the Latest Practicable Date, the above experts:

(a) did not have no direct or indirect interest in any member of the Group nor any right or option (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(b) did not have any interest, direct or indirect, in any assets which had been, since 31 December 2017, being the date of the latest published audited consolidated accounts of the Group, acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by, or leased to, any member of the Group, as at the Latest Practicable Date;

(c) have given and have not withdrawn their written consents as to the issue of this circular with the inclusion herein of its letters and/or reports and reference to its name in the form and context in which they respectively appear.

## 10. GENERAL

(a) The company secretary of the Company is Lau Mei Ting. She is a non-practising member of the Hong Kong Institute of Certified Public Accountants.

(b) The registered office of the Company is at Estera Trust (Cayman) Limited, Clifton House, 75 Fort Street, P.O. Box 1350, Grand Cayman, KY1-1108.

(c) The head office and principal place of business of the Company in Hong Kong is at 17/F, Excel Centre, 483A Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

(d) The share registrar and transfer office in Hong Kong is Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

## 11. MISCELLANEOUS

The English text of this circular shall prevail over its respective Chinese text for the purpose of interpretation.

## 12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at 17/F, Excel Centre, 483A Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong during normal business hours on any weekdays, except public holidays, from the date of this circular up to and including the date of the EGM:

(a) the valuation report on the Barges as at 20 November 2018 as set out in Appendix I to this circular;

(b) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 16 of this circular;

(c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 17 to 30 of this circular;

(d) the written consents referred to in the paragraph headed "Expert's Qualifications and Consent" in this Appendix;

(e) the Agreements; and

(f) this circular.

# 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)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the "**EGM**") of Ever Harvest Group Holdings Limited (the "**Company**") will be held at 10:00 a.m., on Wednesday, 20 February 2019 at the 17/F, Excel Centre 483A, Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

### ORDINARY RESOLUTION

1. "**THAT**

   (a) an agreement ("**Agreement 1**") dated 10 December 2018 entered into between Ever Harvest Harbour Transportation Limited as vendor and Millions Good Limited as purchaser, in respect of the acquisition of a barge owned by Ever Harvest Harbour Transportation Limited and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified;

   (b) an agreement ("**Agreement 2**") dated 10 December 2018 entered into between Ever Harvest Cargo Express Limited as vendor and Millions Good Limited as purchaser, in respect of the acquisition of a barge owned by Ever Harvest Cargo Express Limited and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified;

   (c) an agreement ("**Agreement 3**") dated 10 December 2018 entered into between Ever Harvest Marine Transport Limited as vendor and Millions Good Limited as purchaser, in respect of the acquisition of a barge owned by Ever Harvest Marine Transport Limited and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified;

(d) any one director of the Company be and is/are hereby authorised to sign and execute all documents, instruments and agreements and to do all such acts or things deemed by him/her to be incidental to, ancillary to or in connection with the matters contemplated in Agreement 1, Agreement 2 and Agreement 3."

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

Hong Kong, 25 January 2019

*As at the date of this notice, 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 Leung Ming as independent non-executive directors.*

*Notes:*

1. A member entitled to attend and vote at the meeting shall be entitled to appoint another person as his proxy to attend and, on a poll, vote in his stead. A member who is the holder of two or more Shares may appoint more than one proxy to represent him and, on a poll, vote on his behalf. A proxy need not be a member of the Company.

2. In order to be valid, a proxy form together with any power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority, must be deposited at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof.

3. The register of members of the Company will be closed from Friday, 15 February 2019 to Wednesday, 20 February 2019, both days inclusive, during which period no transfer of shares will be registered. In order to determine the identity of the shareholders who are entitled to attend and vote at the EGM, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Thursday, 14 February 2019.

4. According to Rule 13.39(4) of the Listing Rules, any vote of Shareholders at general meeting of the Company must be taken by poll. Therefore, all proposed resolutions put to the vote at the EGM will be taken by way of poll and the Company will announce the results of the poll in the manner prescribed under Rule 13.39(5) of the Listing Rules.