

# Evergreen Products Group Limited

## 訓修實業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

**Stock Code: 1962**

## INTERIM REPORT

# 2022

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# Corporate Information

## DIRECTORS

### EXECUTIVE DIRECTORS

Mr. Chang Yoe Chong Felix  
*(Chairman and Chief Executive Officer)*

Mr. Kwok Yau Lung Anthony  
*(Chief Operating Officer)*  
(resigned with effect from 18 June 2022)

Mr. Chan Kwok Keung

Mr. Hui Wing Ki  
(resigned with effect from 12 May 2022)

Ms. Jia Ziyang

Mr. Li Yanbo

### NON-EXECUTIVE DIRECTORS

Mr. Chan Lau Yui Kevin

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sin Hendrick *M.H.*

Mr. Szeto Yuk Ting

Ir. Cheung Siu Wa

Mr. Tseung Yuk Hei Kenneth

## COMPANY SECRETARY

Mr. Siu Ching Hung *(ACG, HKACG)*

## AUTHORIZED REPRESENTATIVES

Mr. Kwok Yau Lung Anthony  
(resigned with effect from 18 June 2022)

Mr. Siu Ching Hung *(ACG, HKACG)*

Mr. Chan Kwok Keung  
(appointed with effect from 18 June 2022)

## AUDIT COMMITTEE

Mr. Sin Hendrick *M.H. (Chairman)*

Mr. Szeto Yuk Ting

Mr. Tseung Yuk Hei Kenneth

## REMUNERATION COMMITTEE

Mr. Szeto Yuk Ting *(Chairman)*

Mr. Chang Yoe Chong Felix

Mr. Sin Hendrick *M.H.*

Mr. Tseung Yuk Hei Kenneth

## NOMINATION COMMITTEE

Mr. Chang Yoe Chong Felix *(Chairman)*

Mr. Sin Hendrick *M.H.*

Mr. Szeto Yuk Ting

Mr. Tseung Yuk Hei Kenneth

## AUDITOR

Deloitte Touche Tohmatsu  
*Registered Public Interest Entity Auditors*

## Corporate Information

### PRINCIPAL BANKS

Bank of China (Hong Kong) Limited  
The Hongkong and Shanghai Banking  
Corporation Limited  
The Premier Bank Limited

### HONG KONG LEGAL ADVISER

Woo Kwan Lee & Lo

### REGISTERED OFFICE

P.O. Box 472, 2nd Floor  
Harbour Place, 103 South Church Street  
George Town, Grand Cayman KY1-1106  
Cayman Islands

### PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN HONG KONG

11th Floor, Chiap Luen Industrial Building  
30–32 Kung Yip Street  
Kwai Chung, New Territories  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

International Corporation Services Ltd.  
P.O. Box 472, 2nd Floor  
Harbour Place, 103 South Church Street  
George Town, Grand Cayman KY1-1106  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### PLACE OF LISTING

The Stock Exchange of Hong Kong Limited  
(stock code: 1962)

### COMPANY WEBSITE

[www.epfhk.com](http://www.epfhk.com)

# Management Discussion and Analysis

The board (the “**Board**”) of directors (the “**Directors**”) of Evergreen Products Group Limited (the “**Company**”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Period**”), together with the comparative figures for the corresponding period in 2021.

## BUSINESS REVIEW

Over two years since the onset of the pandemic, many countries have lifted or eased the COVID-19 restrictions and adopted loose monetary policies to resume economic activities, thus quickly releasing the suppressed consumer demand, with the hair wig industry continuously witnessing a positive demand across all regions.

The global economy is still plagued by the outbreaks of the pandemic, which disrupted the global supply chain for all industries. In the current complex and changeable environment, the Group has seized the favourable opportunity in the strong market demand to increase market expansion efforts and adjust the product mix and production capacities and also deepen the cooperative relationship with the key customers, ensuring the process of group production and operation is manageable since the pandemic. The revenue of the Group amounted to HK\$542.1 million for the Period, representing a slight decrease of approximately 1.2% against the corresponding period in 2021. The sales of lace wigs and closures and human hair products with high margin gradually increased but were offset by a slowdown in the sales of braid products with low margin during the Period. Gross profit margin slightly reduced to 21.1%, which was mainly due to the increase in ocean freight cost since the pandemic led to global surge of freight and cargo charges and the increase in depreciation expenses due to the construction project of the expansion production facilities in Bangladesh carried forward as property, plant and equipment. Net profit margin dropped to 4.3% when compared to 5.6% for the corresponding period ended 30 June 2021, which is mainly as a result of the increase in salaries and staff benefit (including directors’ remuneration) due to the annual salary increment and bonus payment.

## OUTLOOK

The Group will continue to enlarge the sale team to explore the new market opportunities, aiming to expand its customer base, achieve a more balanced and healthy market layout, and enhance its risk resistance. The Group has continuously made all efforts on the negotiations on the terms of the bank loan restructuring to enhance the financial position and the cost-control to further increase the profitability soonest possible and enhance the liquidity. Besides, in light of the recent continuing conflict between Russia and Ukraine, the Group has entered into a sale and purchase agreement to sell the entire equity interest of the Ukraine subsidiary to preserve working capital for any future opportunities. The Board believes that the Group has managed the challenges from the pandemic and predicts that the market demand for high margin products will continuously restore towards the end of this year. The Group will continue to focus on its core business, closely monitor the latest development in the industry and adjust its strategies to provide the best interest of the shareholders of the Company in the medium to longer term.

# Management Discussion and Analysis

## FINANCIAL REVIEW

During the Period, the Group's financial results primarily dropped compared with the same period in 2021, mainly due to the fact that the sales growth of the lace wigs and closure and human hair products with high margin substantially boosted after more and more countries lifting the COVID-19 measure which offset the slowdown in sale of braid products with low margin and the operating cost increased since the pandemic.

## REVENUE

Revenue of the Group is mainly generated from the manufacturing and sales of its products. Revenue represents the amount received by the Group and the receivables from the sales of its products, net of any discounts and returns. The Group derives revenue from three principal product segments: (i) wigs, hair accessories and others; (ii) high-end human hair extensions (that is, human hair goods used for adding hair length and/or hair volume with an average retail price of over US\$5 per gram); and (iii) Halloween products.

During the Period, the Group's revenue amounted to HK\$542.1 million, representing a slight decrease of HK\$6.8 million, or 1.2%, as compared to HK\$548.9 million for the corresponding period in 2021. The decrease was primarily due to the fact that the strong market demand of the lace wigs and closure and human hair products with high margin substantially grew but was offset by the slowdown in sale of braid products with low margin. During the Period, the revenue generated from hair goods made at the Bangladesh factory accounted for 97.4% of the Group's total revenue as compared to 97.7% for the corresponding period in 2021.

The United States remained as the Group's principal market during the Period with revenue contribution accounting for 88.3% of the Group's total revenue during the Period as compared to 89.7% for the corresponding period in 2021. In terms of product segment, wigs, hair accessories and others remained as the Group's key product segment accounting for 77.5% of its total revenue during the Period as compared to 83.7% for the corresponding period in 2021.

*Wigs, hair accessories and others.* Revenue for wigs, hair accessories and others decreased by HK\$38.8 million, or 8.5%, from HK\$459.1 million for the six months ended 30 June 2021 to HK\$420.3 million for the Period. The decrease was primarily due to a significant drop in sales of braid items, which was one of the popular products. However, the sales of the lace closures continued to contribute to revenue and the sales of lace wigs increased, which partially offset the drop in the sales of braid items.

*High-end human hair extensions.* Revenue for high-end human hair extensions increased by HK\$18.2 million, or 26.8%, from HK\$68.0 million for the six months ended 30 June 2021 to HK\$86.2 million for the Period, primarily due to an increase in sales volume of human hair products for which the market demand continuously restored after uplifting of the epidemic control.

## Management Discussion and Analysis

*Halloween products.* Revenue for Halloween products increased by HK\$14.0 million, or 64.8%, from HK\$21.6 million for the six months ended 30 June 2021 to HK\$35.6 million for the Period, primarily due to the increase in sales volume due to the uplifting of the epidemic control during Halloween festival.

### COST OF GOODS SOLD

The Group's cost of goods sold decreased by HK\$3.8 million, or 0.9%, from HK\$431.5 million for the six months ended 30 June 2021 to HK\$427.7 million for the Period, primarily due to a decrease in costs in connection with the product mix impact which a decrease in direct materials usage was partially offset by an increase in the depreciation expenses and ocean freight costs during the Period.

*Wigs, hair accessories and others.* Cost of goods sold for wigs, hair accessories and others decreased by HK\$33.8 million, or 9.1%, from HK\$371.3 million for the six months ended 30 June 2021 to HK\$337.5 million for the Period, corresponding with a decrease in direct materials usage which was partially offset by an increase in the depreciation expenses and ocean freight costs during the Period.

*High-end human hair extensions.* Cost of goods sold for high-end human hair extensions increased by HK\$19.6 million, or 43.2%, from HK\$45.4 million for the six months ended 30 June 2021 to HK\$65.0 million for the Period. The increase was the increase in production costs of this segment.

*Halloween products.* Cost of goods sold for Halloween products increased by HK\$10.3 million, or 69.6%, from HK\$14.8 million for the six months ended 30 June 2021 to HK\$25.1 million for the Period. The increase was in line with the increase in revenue from Halloween products during the Period.

### GROSS PROFIT

During the Period, the Group's gross profit amounted to HK\$114.4 million, representing a decrease of HK\$3.0 million, or 2.6%, as compared to HK\$117.4 million for the corresponding period in 2021, primarily due to an increase in depreciation expenses which the construction project of the expansion productions facilities in Bangladesh carried forward as properties, plant and machinery and an increase in ocean freight cost since the pandemic led to global surge of freight and cargo charges. During the Period, the Group's gross profit margin was 21.1%, representing a decrease of 0.3% from 21.4% for the corresponding period in 2021.

*Wigs, hair accessories and others.* Gross profit for wigs, hair accessories and others decreased by HK\$5.0 million, or 5.7%, from HK\$87.8 million for the six months ended 30 June 2021 to HK\$82.8 million for the Period. Gross profit margin for wigs, hair accessories and others increased from 19.1% for the six months ended 30 June 2021 to 19.7% for the Period, primarily due to an increase in sales of lace wigs and closure products with a higher profit margin which was offset by an increase in total production overheads for the Period.

## Management Discussion and Analysis

*High-end human hair extensions.* Gross profit for high-end human hair extensions decreased by HK\$1.5 million, or 6.6%, from HK\$22.7 million for the six months ended 30 June 2021 to HK\$21.2 million for the Period. Gross profit margin for high-end human hair extensions decreased from 33.4% for the six months ended 30 June 2021 to 24.6% for the Period, as a result of a greater increase in the total production overheads than the increase in sales for the Period.

*Halloween products.* Gross profit for Halloween products increased by HK\$3.5 million, or 50.7%, from HK\$6.9 million for the six months ended 30 June 2021 to HK\$10.4 million for the Period. Gross profit margin for Halloween products decreased from 31.7% for the six months ended 30 June 2021 to 29.2% for the Period, primarily due to an increase in total production costs of Halloween products during the Period.

### OTHER INCOME

Other income increased by HK\$0.4 million, or 17.4%, from HK\$2.3 million for the six months ended 30 June 2021 to HK\$2.7 million for the Period, primarily due to an increase in income from warehouse rental and government subsidies during the Period.

### OTHER GAINS AND LOSSES

Other gains and losses decreased by HK\$1.1 million, or 33.3%, from losses of HK\$3.4 million for the six months ended 30 June 2021 to losses of HK\$2.3 million for the Period. The other gains and losses primarily comprised a loss amounting to HK\$3.0 million from the fair value change of the financial assets at fair value through profit and loss and HK\$0.7 million from the gain on the exchange conversion due to the repayment of a bank loan in Hong Kong dollars during the Period.

### IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

During the Period, the Group provided approximately HK\$0.1 million of an impairment allowance in respect of trade receivables (2021: The Group reversed HK\$0.9 million).

### DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses increased by HK\$1.7 million, or 23.8%, from HK\$7.1 million for the six months ended 30 June 2021 to HK\$8.8 million for the Period, primarily due to an increase in shipping expenses in respect of the sales conducted and advertising expenses during the Period.

### ADMINISTRATIVE EXPENSES

Administrative expenses increased by HK\$4.7 million, or 7.1%, from HK\$66.1 million for the six months ended 30 June 2021 to HK\$70.8 million for the Period, primarily due to an increase in salaries and staff benefit (including directors' remuneration) due to the annual salary increment and bonus payment.

## Management Discussion and Analysis

### OTHER EXPENSES

Other expenses decreased by HK\$0.3 million, or 75.0%, from HK\$0.4 million for the six months ended 30 June 2021 to HK\$0.1 million for the Period, primarily due to a decrease in donation made during the Period.

### FINANCE COSTS

Finance costs increased by HK\$0.3 million, or 2.7%, from HK\$11.3 million for the six months ended 30 June 2021 to HK\$11.6 million for the Period. During the Period, the Group did not capitalise interest on bank borrowings as cost of qualifying assets (30 June 2021: HK\$3.6 million). Without such capitalisation, finance costs for the Period decreased by HK\$3.3 million, or 22.1%, as compared with the corresponding period in 2021, primarily due to no capitalised interest on bank borrowings.

### TAXATION

Income tax expenses of the Group decreased by approximately HK\$1.6 million, or 97.6%, from a taxation of HK\$1.7 million for the six months ended 30 June 2021 to a taxation of approximately HK\$0.1 million for the Period, primarily due to over-provision in prior years of the income tax in Hong Kong. Income tax expense included a reversal of deferred taxation in the amount of HK\$0.5 million for the Period (2021: included a reversal of deferred taxation in the amount of HK\$0.1 million).

### NET PROFIT

The Group's net profit for the Period was HK\$23.4 million, representing a decrease of HK\$7.4 million, or 23.8%, as compared to HK\$30.8 million for the corresponding period in 2021, which was primarily attributable to the increase in ocean freight cost since the pandemic and the increase in depreciation expense since the construction project of the expansion production facilities in Bangladesh carried forward as property, plant and equipment and the increase in salaries and staff benefit (including director's remuneration) due to the annual salary increment and bonus payment.

### LIQUIDITY AND FINANCIAL RESOURCES

The Group's bank balances, pledged bank deposits and cash increased by 17.4% from HK\$175.0 million as at 31 December 2021 to HK\$205.5 million as at 30 June 2022. The increase in cash and bank balances for the Period was primarily due to an increase in the usage of the bank borrowings and trade finance during the Period.

The Group's trade and other receivables decreased by 4.5% from HK\$294.3 million as at 31 December 2021 to HK\$281.2 million as at 30 June 2022. The decrease was primarily due to a decrease in trade receivables due to an early settlement by certain customers.

## Management Discussion and Analysis

### BORROWINGS AND GEARING RATIO

As at 30 June 2022, the Group's banking facilities amounted to HK\$796.1 million, of which HK\$103.5 million remained unutilised. As at 30 June 2022, the gearing ratio of the Group, which is equivalent to total interest-bearing debt (including secured bank borrowings and obligations under finance leases) divided by total equity, was 77.9% as compared to 72.8% as at 31 December 2021. The Group considered that it has sufficient financial resources to meet its commitments and working capital requirements.

### CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

During the Period, the Group spent approximately HK\$18.7 million (including no interest on bank borrowings as the cost of qualifying assets) on additions to fixed assets as compared to HK\$13.3 million (including interest on bank borrowings of HK\$3.6 million capitalised as the cost of qualifying assets) for the corresponding period in 2021 mainly to maintain its manufacturing capabilities in Bangladesh. As at 30 June 2022, the Group had capital commitments of HK\$0.5 million in respect of property, plant and equipment (31 December 2021: HK\$0.9 million).

### FOREIGN EXCHANGE RISK

The Group has sales and purchases denominated in foreign currencies, such as U.S. dollars and Renminbi, which expose the Group to foreign currency risk. The Group mainly operates in the PRC and Bangladesh where its operating expenses are denominated in Renminbi and Bangladeshi Taka, respectively, while the majority of the Group's sales are settled in U.S. dollars. With the increase of the production of the Group in Bangladesh (revenue contributed by the Bangladesh factory having slightly reduced to 97.4% during the Period (30 June 2021: 97.7%)) and U.S. dollars being the main foreign currency used in the operations in Bangladesh and Hong Kong, the use of U.S. dollars by the Group has increased as a whole. However, the Board considers that the Group is exposed to minimal currency risk as Hong Kong dollars are pegged to U.S. dollars. The Group estimated that any 1% appreciation of Bangladeshi Taka or Renminbi is not expected to have a material impact on the Group's gross profit margin.

For the Period, the Group did not have any outstanding foreign currency forward contracts to buy U.S. dollars to hedge against any fluctuation in the exchange rate of U.S. dollars.

### CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any material contingent liabilities.

## Management Discussion and Analysis

### PLEDGE OF ASSETS

As at 30 June 2022, the Group's banking borrowing facilities were secured by:

- (a) pledge of the Group's bank deposits of approximately HK\$101.9 million (31 December 2021: HK\$101.9 million);
- (b) leasehold land, buildings and car parks in Hong Kong of approximately HK\$79.1 million (31 December 2021: HK\$79.1 million);
- (c) leasehold land and buildings, including related right-of-use assets in the PRC of carrying amounts of approximately HK\$18.5 million (31 December 2021: HK\$24.7 million);
- (d) investment properties in the PRC of approximately HK\$10.1 million (31 December 2021: HK\$Nil);
- (e) negative pledge on the assets of certain subsidiaries in the PRC and Bangladesh; and
- (f) certain life insurance contracts classified as financial assets at fair value through profit and loss of the Group.

As at 30 June 2022, the Group's other borrowing was secured by the Group's bank deposits of approximately HK\$4.7 million (31 December 2021: HK\$4.7 million).

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, the Group employed a total of 30,391 employees, as compared to 29,690 employees as at 30 June 2021.

Total employee expenditures during the Period amounted to HK\$208.8 million (No share awards granted under the share award scheme adopted by the Company on 11 December 2017 (the "**Share Award Scheme**")) as compared to HK\$190.9 million (including value of employee services of HK\$0.1 million in respect of the share awards granted under the Share Award Scheme) for the corresponding period in 2021. The Group operates a defined contribution retirement scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all qualified employees. Employees of the Group's factories in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. For employees in Bangladesh, the Group is currently not subject to any compulsory social insurance contribution, but they are covered by a self-managed provident fund operated by respective subsidiaries of the Group in Bangladesh.

## Management Discussion and Analysis

### SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this Management Discussion and Analysis and in the condensed consolidated financial statements, (i) there were no significant investments held, nor were there any material acquisitions or disposals during the Period; and (ii) no plans have been authorised by the Board for any material investments or additions of capital assets as at 30 June 2022.

### IMPORTANT EVENTS AFTER THE END OF THE PERIOD

The Group has the following important events after the end of the Period:

- (a) On 10 August 2022, the Group entered into a supplemental agreement with a related company which stated that any advances from that related company after 10 August 2022 will change from a fixed interest of 4.5% per annum to bearing a floating interest rate of HIBOR +3.5%.
- (b) On 19 August 2022, a wholly owned subsidiary of the Group entered into the sale and purchase agreement with an independent third party in relation to the entire equity interest in Evergreen Ukraine Investments Limited (which is engaged in digital marketing and photography workshop and held an office building in Ukraine) and its related loan, for a total cash consideration of HK\$10 million.

### USE OF PROCEEDS

#### USE OF PROCEEDS FROM GLOBAL OFFERING

The ordinary shares of the Company (the “**Shares**”) were listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 July 2017. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the initial public offering of approximately HK\$204.7 million (the “**Net Proceeds**”).

During the period from 12 July 2017 and up to 30 June 2022, part of the net proceeds were utilised in accordance with the purpose as set out in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 29 June 2017, details of which are set out in the table below.

As set out in the announcement of the Company dated 8 October 2021 (the “**Announcement**”), the Board has resolved to change the use of the unutilised net proceeds of approximately HK\$20.5 million.

## Management Discussion and Analysis

The following table sets out the original allocation, the revised allocation as stated in the Announcement and the actual amounts up to 30 June 2022:

| <b>Use of proceeds</b>   | <b>Original allocation of net proceeds</b><br><i>HK\$ million</i> | <b>Utilisation as at 31 December 2021</b><br><i>HK\$ million</i> | <b>Remaining balance before revised allocation</b><br><i>HK\$ million</i> | <b>Remaining balance after revised allocation</b><br><i>HK\$ million</i> | <b>Utilisation from 8 October 2021 to 30 June 2022</b><br><i>HK\$ million</i> | <b>Unutilised amount of net proceeds as at 30 June 2022</b><br><i>HK\$ million</i> |
|--|---|--|---|--|---|--|
| Construction of additional production facilities in the Group's Bangladesh production base   | 100.7   | 100.7  | -   | -  | -   | -  |
| Relocation of the Group's research and display centre and sales office in Dongguan, Guangdong  | 20.5  | -  | 20.5  | -  | -   | -  |
| Expansion of the Group's business, including establishing sales offices for high-end human hair extensions in Asia, further development of the Group's e-commerce business, and expansion of the Group's Halloween costume sales | 22.1  | 22.1   | -   | -  | -   | -  |
| Repayment of outstanding trust receipt loans   | 40.9  | 40.9   | -   | -  | -   | -  |
| Working capital and general corporate purposes   | 20.5  | 20.5   | -   | -  | -   | -  |
| Expansion of the Group's lace closure project including expanding production line  | -   | -  | -   | 20.5   | 18.0  | 2.5  |
| <b>Total utilisation</b>   | <b>204.7</b>  | <b>184.2</b>   | <b>20.5</b>   | <b>20.5</b>  | <b>18.0</b>   | <b>2.5</b>   |

The unutilised amount of the net proceeds has been placed with licensed banks as interest-bearing deposits. The amount of the unutilised net proceeds is expected to be utilised on or before 31 December 2022 for the expansion of the Group's lace closure project including expanding production line.

## Management Discussion and Analysis

### INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK\$1.7 cent per Share for the Period (30 June 2021: HK\$1.3 cent per Share of an interim dividend declared), totally approximately HK\$11.7 million based on a total of 686,082,000 Shares in issue as at the date of this report.

The interim dividend payout ratio is 49.7% for the Period (2021: interim dividend payout ratio: 29.0%).

The interim dividend will be payable on Tuesday, 27 September 2022 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 16 September 2022.

### CLOSURE OF REGISTER OF MEMBERS

For determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Tuesday, 13 September 2022 to Friday, 16 September 2022, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Friday, 9 September 2022.

# Corporate Governance and Other Information

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high standard of corporate governance practices. The Board believes that good corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Board is of the view that, the Company has complied with all the code provisions as set out in the CG Code throughout the Period, save and except for code provision C.2.1, which states that the roles of chairman and chief executive should be separate and should not be performed by the same individual, details of which are set out below:

Pursuant to code provision C.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual. However, Mr. Chang Yoe Chong Felix, an executive Director, currently performs these two roles in the Company. Given the current scale of the Company’s operations and management structure, the Company considers that entrusting Mr. Chang, who has been the Company’s key leadership figure and chiefly responsible for the business strategy, decisions and operations, to perform both the functions of the chairman and the chief executive officer of the Company is appropriate. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired considering the background and experience of the Directors and the number of independent non-executive Directors in the Board and this structure will enable the Company to make and implement decisions promptly and effectively.

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its code of conduct regarding securities transactions by the Directors. All the Directors have confirmed, following a specific enquiry by the Company, that they had complied with the required standards as set out in the Model Code throughout the Period.

## Corporate Governance and Other Information

**DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS**

As at 30 June 2022, the interests or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

**(I) LONG POSITION IN THE SHARES OF THE COMPANY**

| Name of Director/chief executive | Capacity/nature of interest                                     | Number of Shares           | Approximate percentage of issued share capital of the Company <sup>(7)</sup> |
|----------------------------------|---|----------------------------|--|
| Mr. Chang Yoe Chong Felix        | (i) Beneficiary of a trust/<br>Founder of a discretionary trust | 343,369,803 <sup>(1)</sup> | 50.04%   |
|                                  | (ii) Beneficial owner   | 9,790,000 <sup>(2)</sup>   | 1.43%  |
| Mr. Chan Kwok Keung              | Beneficial owner  | 1,000,000 <sup>(3)</sup>   | 0.15%  |
| Ms. Jia Ziyang                   | (i) Beneficial owner  | 394,000 <sup>(4)</sup>     | 0.06%  |
|                                  | (ii) Interest of spouse   | 100,000 <sup>(6)</sup>     | 0.01%  |
| Mr. Li Yanbo                     | (i) Beneficial owner  | 100,000 <sup>(5)</sup>     | 0.01%  |
|                                  | (ii) Interest of spouse   | 394,000 <sup>(6)</sup>     | 0.06%  |

## Corporate Governance and Other Information

### Notes:

- (1) These Shares are held directly by Evergreen Enterprise Holdings Limited ("**Evergreen Holdings**"), a direct wholly owned subsidiary of Golden Evergreen Limited ("**Golden Evergreen**"). 49% and 51% of the issued share capital of Golden Evergreen are owned by FC Investment Worldwide Limited ("**FC Investment**") (a direct wholly owned subsidiary of FC Management Limited ("**FC Management**")) and CLC Investment Worldwide Limited ("**CLC Investment**") (a direct wholly owned subsidiary of CLC Management Limited ("**CLC Management**")), respectively. FC Management is directly and wholly owned by HSBC International Trustee Limited as the trustee of a discretionary trust established on 17 February 2010 by Mr. Chang Yoe Chong Felix as the settlor for the benefit of the late Mr. Chang Chih Lung (who passed away in March 2022), Mr. Chang Ka Wai Aidan and Mr. Chang Yoe Chong Felix's issue (the "**Felix Family Trust**"). CLC Management is directly and wholly owned by HSBC International Trustee Limited as the trustee of a discretionary trust established on 9 July 2013 by the late Mr. Chang Chih Lung as the settlor for the benefit of Mr. Chang Yoe Chong Felix and his issue (the "**CLC Family Trust**"). Accordingly, each of the late Mr. Chang Chih Lung and Mr. Chang Yoe Chong Felix is deemed to be interested in the Shares which are interested by HSBC International Trustee Limited under the SFO.
- (2) These Shares are beneficially owned by Mr. Chang Yoe Chong Felix.
- (3) These Shares were granted by the Company to Mr. Chan Kwok Keung on 16 January 2018 pursuant to the Share Award Scheme.
- (4) These Shares were granted by the Company to Ms. Jia Ziyang on 16 January 2018 pursuant to the Share Award Scheme.
- (5) These Shares were granted by the Company to Mr. Li Yanbo on 16 January 2018 pursuant to the Share Award Scheme.
- (6) Ms. Jia Ziyang is the spouse of Mr. Li Yanbo. As such, Ms. Jia Ziyang and Mr. Li Yanbo are deemed to be interested in each other's interest.
- (7) Based on a total of 686,082,000 issued Shares as at 30 June 2022.

## Corporate Governance and Other Information

### (II) LONG POSITION IN THE SHARES OF THE ASSOCIATED CORPORATIONS OF THE COMPANY

| Name of Director/<br>chief executive        | Name of our<br>associated<br>corporations             | Capacity/nature of interest                                    | Number of<br>shares<br>interested | Approximate<br>percentage of<br>shareholding |
|---|---|--|-----------------------------------|--|
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | Evergreen Holdings <sup>(1)</sup>                     | Beneficiary of a trust/<br>Founder of a discretionary<br>trust | 20,000                            | 100%   |
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | Golden Evergreen <sup>(1)</sup>                       | Beneficiary of a trust/<br>Founder of a discretionary<br>trust | 100                               | 100%   |
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | CLC Investment <sup>(1)</sup>                         | Beneficiary of a trust   | 2                                 | 100%   |
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | CLC Management <sup>(1)</sup>                         | Beneficiary of a trust   | 2                                 | 100%   |
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | Evergreen Group<br>Limited <sup>(2)</sup>             | Beneficiary of a trust/<br>Founder of a discretionary<br>trust | 100,000,000                       | 73.04%                                       |
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | Ventures Day<br>Investments<br>Limited <sup>(2)</sup> | Beneficiary of a trust/<br>Founder of a discretionary<br>trust | 100                               | 100%   |
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | Acemaster Ventures<br>Limited <sup>(2)</sup>          | Beneficiary of a trust/<br>Founder of a discretionary<br>trust | 1                                 | 100%   |
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | Cowden Ventures<br>Limited <sup>(2)</sup>             | Beneficiary of a trust/<br>Founder of a discretionary<br>trust | 1                                 | 100%   |

## Corporate Governance and Other Information

| Name of Director/<br>chief executive        | Name of our<br>associated<br>corporations                              | Capacity/nature of interest                                    | Number of<br>shares<br>interested | Approximate<br>percentage of<br>shareholding |
|---|--|--|-----------------------------------|--|
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | Fast Track Ventures<br>Limited <sup>(2)</sup>                          | Beneficiary of a trust/<br>Founder of a discretionary<br>trust | 1                                 | 100%   |
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | Golden Image<br>Ventures Limited <sup>(2)</sup>                        | Beneficiary of a trust/<br>Founder of a discretionary<br>trust | 1                                 | 100%   |
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | Market Focus<br>Ventures Limited <sup>(2)</sup>                        | Beneficiary of a trust/<br>Founder of a discretionary<br>trust | 1                                 | 100%   |
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | Punchline Ventures<br>Limited <sup>(2)</sup>                           | Beneficiary of a trust/<br>Founder of a discretionary<br>trust | 1                                 | 100%   |
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | Smart Plus Ventures<br>Limited <sup>(2)</sup>                          | Beneficiary of a trust/<br>Founder of a discretionary<br>trust | 1                                 | 100%   |
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | Eastern Earnings<br>(China) Company<br>Limited <sup>(4)</sup>          | Beneficiary of a trust/<br>Founder of a discretionary<br>trust | 1,000,000                         | 100%   |
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | Sunleaf Holdings<br>Limited <sup>(4)</sup>                             | Beneficiary of a trust/<br>Founder of a discretionary<br>trust | 7,000                             | 70%  |
|   |  | Interest of controlled<br>corporation <sup>(5)</sup>           | 3,000                             | 30%  |
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | Loyal Helper Supply<br>Limited <sup>(4)</sup>                          | Founder of a discretionary trust                               | 100                               | 100%   |
| Mr. Chang Yoe Chong<br>Felix <sup>(3)</sup> | Evergreen<br>Housekeepers<br>Training Center<br>Limited <sup>(4)</sup> | Founder of a discretionary trust                               | 999                               | 99%  |

## Corporate Governance and Other Information

*Notes:*

- (1) Evergreen Holdings, a direct wholly owned subsidiary of Golden Evergreen, holds approximately 50.04% of the issued share capital of the Company. 49% and 51% of the issued share capital of Golden Evergreen are owned by FC Investment (a direct wholly owned subsidiary of FC Management) and CLC Investment (a direct wholly owned subsidiary of CLC Management), respectively. Accordingly, each of Evergreen Holdings, Golden Evergreen, CLC Investment and CLC Management is a holding company and an associated corporation of the Company.
- (2) Approximately 73.04% of the issued share capital of Evergreen Group Limited is owned by Evergreen Holdings. Evergreen Group Limited holds the entire issued share capital of Ventures Day Investments Limited. Ventures Day Investments Limited holds the entire issued share capital of each of Acemaster Ventures Limited, Cowden Ventures Limited, Fast Track Ventures Limited, Golden Image Ventures Limited, Market Focus Ventures Limited, Punchline Ventures Limited and Smart Plus Ventures Limited. Accordingly, each of Evergreen Group Limited, Ventures Day Investments Limited, Acemaster Ventures Limited, Cowden Ventures Limited, Fast Track Ventures Limited, Golden Image Ventures Limited, Market Focus Ventures Limited, Punchline Ventures Limited and Smart Plus Ventures Limited is a subsidiary of Evergreen Holdings and an associated corporation of the Company.
- (3) Each of FC Management and CLC Management is directly and wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. The CLC Family Trust is a discretionary trust established by the late Mr. Chang Chih Lung (who passed away in March 2022) (the father of Mr. Chang Yoe Chong Felix) as the settlor, with Mr. Chang Yoe Chong Felix and his issue being the beneficiaries. The Felix Family Trust is a discretionary trust established by Mr. Chang Yoe Chong Felix as the settlor, with the late Mr. Chang Chih Lung, Mr. Chang Ka Wai Aidan (the son of Mr. Chang Yoe Chong Felix and a minor) and Mr. Chang Yoe Chong Felix's issues being the beneficiaries. Accordingly, Mr. Chang Yoe Chong Felix is deemed to be interested in the above associated corporations of the Company under the SFO.
- (4) Each of Loyal Helper Supply Limited and Evergreen Housekeepers Training Center Limited is 100% owned by Sunleaf Holdings Limited, which is 70% owned by Eastern Earnings (China) Company Limited. Eastern Earnings (China) Company Limited is 51% owned by FC Investment, which is 100% held by FC Management. Accordingly, Mr. Chang Yoe Chong Felix is deemed to be interested in the above associated corporations of the Company under the SFO.
- (5) Such shares are held by Prince Orchid Limited, which is 100% owned by Mr. Chang Yoe Chong Felix.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2022, none of the Directors or the chief executives of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

### **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY**

So far as the Directors are aware, as at 30 June 2022, the following corporations/persons had interests of 5% or more in the issued Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under section 336 of the SFO:

## Corporate Governance and Other Information

### INTEREST IN THE SHARES OF THE COMPANY

| Name of shareholder  | Capacity/nature of interest                                 | Number of Shares               | Approximate percentage of issued share capital of the Company <sup>(4)</sup> |
|--|---|--------------------------------|--|
| Evergreen Holdings <sup>(1)</sup>                                | Beneficial owner  | 343,369,803<br>(Long position) | 50.04%   |
| Golden Evergreen <sup>(1)</sup>                                  | Interest of controlled corporation                          | 343,369,803<br>(Long position) | 50.04%   |
| FC Investment <sup>(1)</sup>                                     | Interest of controlled corporation                          | 343,369,803<br>(Long position) | 50.04%   |
| FC Management <sup>(1)</sup>                                     | Interest of controlled corporation                          | 343,369,803<br>(Long position) | 50.04%   |
| CLC Investment <sup>(1)</sup>                                    | Interest of controlled corporation                          | 343,369,803<br>(Long position) | 50.04%   |
| CLC Management <sup>(1)</sup>                                    | Interest of controlled corporation                          | 343,369,803<br>(Long position) | 50.04%   |
| HSBC International Trustee Limited <sup>(1)</sup>                | Trustee of a trust  | 343,369,803<br>(Long position) | 50.04%   |
| Mr. Chang Chih Lung (deceased) <sup>(1)</sup>                    | Beneficiary of a trust/<br>Founder of a discretionary trust | 343,369,803<br>(Long position) | 50.04%   |
| Ms. Wong Hor Yan <sup>(2)</sup>                                  | Interest of spouse  | 353,159,803<br>(Long position) | 51.47%   |
| SEAVI Advent Investments Ltd.<br>("SEAVI Advent") <sup>(3)</sup> | Beneficial owner  | 102,386,197<br>(Long position) | 14.92%   |
| SEAVI Advent Equity V (A) Ltd                                    | Interest of controlled corporation                          | 102,386,197<br>(Long position) | 14.92%   |
| Precision Global Capital Management LLC                          | Beneficial owner  | 56,464,000<br>(Long position)  | 8.23%  |

## Corporate Governance and Other Information

### Notes:

- (1) Evergreen Holdings is a direct wholly owned subsidiary of Golden Evergreen. 49% and 51% of issued share capital of Golden Evergreen are owned by FC Investment (a direct wholly owned subsidiary of FC Management) and CLC Investment (a direct wholly owned subsidiary of CLC Management), respectively. Each of FC Management and CLC Management is directly and wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. The late Mr. Chang Chih Lung (who passed away in March 2022) was the settlor of the CLC Family Trust and one of the beneficiaries of the Felix Family Trust. Accordingly, each of Golden Evergreen, FC Investment, FC Management, CLC Investment, CLC Management, HSBC International Trustee Limited and the late Mr. Chang Chih Lung is deemed to be interested in the Shares held by Evergreen Holdings under the SFO.
- (2) Ms. Wong Hor Yan is the spouse of Mr. Chang Yoe Chong Felix, and is deemed to be interested in the Shares which are interested by Mr. Chang Yoe Chong Felix under the SFO.
- (3) SEAVI Advent is wholly owned by SEAVI Advent Equity V (A) Ltd. SEAVI Advent Equity V (A) Ltd is therefore deemed to be interested in the Shares held by SEAVI Advent under the SFO.
- (4) Based on a total of 686,082,000 issued Shares as at 30 June 2022.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2022, the Directors have not been notified by any person who had interests or short position in Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

## SHARE OPTION SCHEME

On 19 June 2017, a share option scheme was adopted by the Company, whereby the Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe for the Shares.

As at 30 June 2022, no option has been granted or agreed to be granted under the share option scheme.

## SHARE AWARD SCHEME

On 11 December 2017, the Company adopted the Share Award Scheme in which employees of the Group are entitled to participate.

Details of the Share Award Scheme are set out in the announcement of the Company dated 11 December 2017.

Since the adoption date of the Share Award Scheme and up to 31 December 2021, a total of 5,333,334 Shares, representing approximately 0.78% of the total issued Shares as at 31 December 2021, were granted by the Company to certain Directors, senior management and employees of the Company.

As at 30 November 2021, the Share Award Scheme was completed and terminated.

As at 30 June 2022 and 31 December 2021, all shares have been granted and vested and no ordinary share of the Company was held by the trustee of the Share Award Scheme.

## Corporate Governance and Other Information

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

### **CHANGES IN INFORMATION OF DIRECTORS**

Changes in information of the Directors since the publication of the annual report of the Company for the year ended 31 December 2021, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

- The remuneration of Ms. Jia Ziyang, an executive Director, has been increased from RMB19,233 per month to RMB20,933 per month with effect from 1 January 2022.
- The remuneration of Mr. Li Yanbo, an executive Director, has been increased from RMB17,951 per month to RMB19,213 per month with effect from 1 January 2022.

### **REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE**

The audit committee of the Company (the "**Audit Committee**") has reviewed together with the Board and Deloitte Touche Tohmatsu, the Company's external auditor, the unaudited condensed consolidated financial statements of the Group for the Period. The Audit Committee is satisfied that the unaudited condensed consolidated financial statements of the Group for the Period were prepared in accordance with the applicable accounting standards and fairly present the Group's financial position and results for the Period.

By Order of the Board

**Evergreen Products Group Limited**

**Chang Yoe Chong Felix**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 24 August 2022

# Report on Review of Condensed Consolidated Financial Statements

**Deloitte.**

德勤

## TO THE BOARD OF DIRECTORS OF EVERGREEN PRODUCTS GROUP LIMITED

(incorporated in Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Evergreen Products Group Limited (the “**Company**”) and its subsidiaries set out on pages 25 to 50, which comprise the condensed consolidated statement of financial position as of 30 June 2022 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 ‘Interim Financial Reporting’ (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Report on Review of Condensed Consolidated Financial Statements

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS34.

**Deloitte Touche Tohmatsu**  
*Certified Public Accountants*  
Hong Kong  
24 August 2022

**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income**

For the six months ended 30 June 2022

|  | Notes | Six months ended                     |                                      |
|--|-------|--------------------------------------|--------------------------------------|
|  |       | 30.6.2022<br>HK\$'000<br>(Unaudited) | 30.6.2021<br>HK\$'000<br>(Unaudited) |
| Revenue  | 3     | 542,058                              | 548,887                              |
| Cost of sales  |       | (427,696)                            | (431,481)                            |
| Gross profit   |       | 114,362                              | 117,406                              |
| Other income   |       | 2,693                                | 2,330                                |
| Other gains and losses   | 4     | (2,282)                              | (3,419)                              |
| Impairment losses (recognised) reversed on trade receivables under expected credit loss model, net of (provision) reversal | 5     | (47)                                 | 940                                  |
| Distribution and selling expenses  |       | (8,781)                              | (7,091)                              |
| Administrative expenses  |       | (70,754)                             | (66,071)                             |
| Other expenses   | 6     | (119)                                | (388)                                |
| Finance costs  | 7     | (11,584)                             | (11,267)                             |
| Profit before tax  |       | 23,488                               | 32,440                               |
| Income tax expense   | 8     | (41)                                 | (1,689)                              |
| Profit for the period  | 9     | 23,447                               | 30,751                               |
| Other comprehensive (expense) income:  |       |                                      |                                      |
| <b>Items that will not be reclassified to profit or loss:</b>  |       |                                      |                                      |
| Gain on revaluation of properties transferred to investment properties   |       | 7,340                                | –                                    |
| Deferred tax arising from gain on revaluation of properties transferred to investment properties                           |       | (1,835)                              | –                                    |
|  |       | 5,505                                | –                                    |
| <b>Item that may be reclassified subsequently to profit or loss:</b>   |       |                                      |                                      |
| Exchange differences arising from translation of foreign operations  |       | (39,963)                             | 954                                  |
| Other comprehensive (expense) income for the period, net of income tax   |       | (34,458)                             | 954                                  |
| Total comprehensive (expense) income for the period  |       | (11,011)                             | 31,705                               |

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

|   | Notes | Six months ended                     |                                      |
|---|-------|--------------------------------------|--------------------------------------|
|   |       | 30.6.2022<br>HK\$'000<br>(Unaudited) | 30.6.2021<br>HK\$'000<br>(Unaudited) |
| Profit (loss) for the period attributable to:         |       |                                      |                                      |
| Owners of the Company                                 |       | 26,846                               | 29,626                               |
| Non-controlling interests                             |       | (3,399)                              | 1,125                                |
|   |       | <b>23,447</b>                        | 30,751                               |
| Total comprehensive (expense) income attributable to: |       |                                      |                                      |
| Owners of the Company                                 |       | (6,188)                              | 30,401                               |
| Non-controlling interests                             |       | (4,823)                              | 1,304                                |
|   |       | <b>(11,011)</b>                      | 31,705                               |
| Earnings per share (HK\$)                             | 11    |                                      |                                      |
| – basic   |       | 0.04                                 | 0.04                                 |
| – diluted   |       | N/A                                  | 0.04                                 |

# Condensed Consolidated Statement of Financial Position

At 30 June 2022

|   |              | 30.6.2022          | 31.12.2021       |
|---|--------------|--------------------|------------------|
|   |              | <i>HK\$'000</i>    | <i>HK\$'000</i>  |
|   | <i>Notes</i> | <b>(Unaudited)</b> | <b>(Audited)</b> |
| <b>NON-CURRENT ASSETS</b>                                   |              |                    |                  |
| Property, plant and equipment                               | 12           | <b>660,405</b>     | 715,786          |
| Right-of-use assets   | 12           | <b>26,548</b>      | 30,126           |
| Investment properties                                       | 12           | <b>12,649</b>      | –                |
| Non-current deposits  | 14           | <b>7,057</b>       | 7,596            |
| Financial assets at fair value through profit or loss       |              | <b>37,467</b>      | 20,371           |
|   |              | <b>744,126</b>     | 773,879          |
| <b>CURRENT ASSETS</b>                                       |              |                    |                  |
| Inventories   | 13           | <b>495,421</b>     | 471,450          |
| Trade and other receivables                                 | 14           | <b>281,153</b>     | 294,315          |
| Tax recoverable   |              | <b>1,225</b>       | 1,320            |
| Pledged bank deposits                                       | 15           | <b>106,619</b>     | 106,568          |
| Bank balances and cash                                      |              | <b>98,844</b>      | 68,444           |
|   |              | <b>983,262</b>     | 942,097          |
| <b>CURRENT LIABILITIES</b>                                  |              |                    |                  |
| Trade and other payables                                    | 16           | <b>91,205</b>      | 72,783           |
| Contract liabilities  |              | <b>7,906</b>       | 8,791            |
| Amount due to a related company                             |              | <b>300</b>         | 4,300            |
| Amount due to a non-controlling shareholder of a subsidiary |              | <b>5,737</b>       | 6,021            |
| Tax payable   |              | <b>8,579</b>       | 8,519            |
| Secured bank and other borrowings                           | 17           | <b>621,933</b>     | 575,240          |
| Bank overdrafts   | 17           | <b>30,675</b>      | 42,088           |
| Lease liabilities   |              | <b>2,413</b>       | 2,669            |
|   |              | <b>768,748</b>     | 720,411          |
| <b>NET CURRENT ASSETS</b>                                   |              | <b>214,514</b>     | 221,686          |
|   |              | <b>958,640</b>     | 995,565          |

## Condensed Consolidated Statement of Financial Position

At 30 June 2022

|  |              | <b>30.6.2022</b>   | 31.12.2021 |
|--|--------------|--------------------|------------|
|  |              | <b>HK\$'000</b>    | HK\$'000   |
|  | <i>Notes</i> | <b>(Unaudited)</b> | (Audited)  |
| <b>CAPITAL AND RESERVES</b>                  |              |                    |            |
| Share capital                                | 18           | <b>53,377</b>      | 53,377     |
| Reserves                                     |              | <b>850,676</b>     | 864,411    |
| <hr/>  |              |                    |            |
| Equity attributable to owners of the Company |              | <b>904,053</b>     | 917,788    |
| Non-controlling interests                    |              | <b>(920)</b>       | 3,903      |
| <hr/>  |              |                    |            |
| <b>TOTAL EQUITY</b>                          |              | <b>903,133</b>     | 921,691    |
| <hr/>  |              |                    |            |
| <b>NON-CURRENT LIABILITIES</b>               |              |                    |            |
| Deferred tax liabilities                     |              | <b>7,085</b>       | 5,777      |
| Lease liabilities                            |              | <b>8,408</b>       | 9,417      |
| Secured bank and other borrowings            | 17           | <b>40,014</b>      | 41,224     |
| Provision for employee benefits              |              | <b>-</b>           | 17,456     |
| <hr/>  |              |                    |            |
|  |              | <b>55,507</b>      | 73,874     |
| <hr/>  |              |                    |            |
|  |              | <b>958,640</b>     | 995,565    |
| <hr/>  |              |                    |            |

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

|   | Attributable to owners of the Company |               |                        |                              |                     |                                   |                        |                     |                  |           |                           |          |
|---|---------------------------------------|---------------|------------------------|------------------------------|---------------------|-----------------------------------|------------------------|---------------------|------------------|-----------|---------------------------|----------|
|   | Share capital                         | Share premium | Capital reserve        | Property revaluation reserve | Share award reserve | Share held for share award scheme | Other reserve          | Translation reserve | Retained profits | Sub-total | Non-controlling interests | Total    |
|   | HK\$'000                              | HK\$'000      | HK\$'000<br>(Note (a)) | HK\$'000                     | HK\$'000            | HK\$'000                          | HK\$'000<br>(Note (b)) | HK\$'000            | HK\$'000         | HK\$'000  | HK\$'000                  | HK\$'000 |
| At 1 January 2022 (audited)   | 53,377                                | 466,772       | (53,992)               | 101,598                      | -                   | -                                 | (76)                   | (19,660)            | 369,769          | 917,788   | 3,903                     | 921,691  |
| Profit (loss) for the period  | -                                     | -             | -                      | -                            | -                   | -                                 | -                      | -                   | 26,846           | 26,846    | (3,399)                   | 23,447   |
| Exchange differences arising from translation of foreign operations                                   | -                                     | -             | -                      | -                            | -                   | -                                 | -                      | (38,539)            | -                | (38,539)  | (1,424)                   | (39,963) |
| Gain on revaluation of properties transferred to investment properties                                | -                                     | -             | -                      | 7,340                        | -                   | -                                 | -                      | -                   | -                | 7,340     | -                         | 7,340    |
| Deferred taxation arising from gain on revaluation of properties transferred to investment properties | -                                     | -             | -                      | (1,835)                      | -                   | -                                 | -                      | -                   | -                | (1,835)   | -                         | (1,835)  |
| Total comprehensive income (expense) for the period   | -                                     | -             | -                      | 5,505                        | -                   | -                                 | -                      | (38,539)            | 26,846           | (6,188)   | (4,823)                   | (11,011) |
| Dividends recognised as distribution (note 10)  | -                                     | -             | -                      | -                            | -                   | -                                 | -                      | -                   | (7,547)          | (7,547)   | -                         | (7,547)  |
| At 30 June 2022 (unaudited)   | 53,377                                | 466,772       | (53,992)               | 107,103                      | -                   | -                                 | (76)                   | (58,199)            | 389,068          | 904,053   | (920)                     | 903,133  |
| At 1 January 2021 (audited)   | 53,377                                | 466,772       | (53,992)               | 103,999                      | 286                 | (531)                             | (76)                   | (21,836)            | 324,246          | 872,245   | 710                       | 872,955  |
| Profit for the period   | -                                     | -             | -                      | -                            | -                   | -                                 | -                      | -                   | 29,626           | 29,626    | 1,125                     | 30,751   |
| Exchange differences arising from translation of foreign operations                                   | -                                     | -             | -                      | -                            | -                   | -                                 | -                      | 775                 | -                | 775       | 179                       | 954      |
| Total comprehensive income for the period   | -                                     | -             | -                      | -                            | -                   | -                                 | -                      | 775                 | 29,626           | 30,401    | 1,304                     | 31,705   |
| Employee share award scheme:  |                                       |               |                        |                              |                     |                                   |                        |                     |                  |           |                           |          |
| - Value of employee services  | -                                     | -             | -                      | -                            | 64                  | -                                 | -                      | -                   | -                | 64        | -                         | 64       |
| At 30 June 2021 (unaudited)   | 53,377                                | 466,772       | (53,992)               | 103,999                      | 350                 | (531)                             | (76)                   | (21,061)            | 353,872          | 902,710   | 2,014                     | 904,724  |

## Notes:

- (a) Capital reserve represents (i) the contribution from an intermediate holding company to Evergreen Products Factory Limited ("**Evergreen Factory**"), a wholly owned subsidiary of the Company; and (ii) the difference between the nominal value of the share capital of Evergreen Factory at the date on which it was acquired by the Group, and the deemed consideration pursuant to the group reorganisation in prior years.
- (b) Other reserve represents the effect of change in ownership in a subsidiary when there was no change in control in prior years.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

|  | Six months ended                     |  |
|--|--------------------------------------|--|
|  | 30.6.2022<br>HK\$'000<br>(Unaudited) | 30.6.2021<br>HK\$'000<br>(Unaudited)<br>(restated) |
| Operating activities   |                                      |  |
| Profit before tax  | 23,488                               | 32,440   |
| Adjustment for:  |                                      |  |
| (Increase) decrease in inventories   | (23,971)                             | 34,909   |
| Increase in trade and other payables   | 150,634                              | 131,013  |
| Other operating activities   | 43,440                               | 50,940   |
| Net cash from operating activities   | 193,591                              | 249,302  |
| Investing activities   |                                      |  |
| Purchase of property, plant and equipment  | (17,350)                             | (6,676)  |
| Payment for new insurance contracts  | (16,195)                             | (9,421)  |
| Purchase of investment funds   | (3,893)                              | –  |
| Withdrawal of pledged bank deposit   | –                                    | 184  |
| Payment for property rental deposits   | (67)                                 | (377)  |
| Repayment of property rental deposits  | –                                    | 319  |
| Deposit paid for acquisition of property, plant and equipment                            | (670)                                | (915)  |
| Interest received  | 73                                   | 67   |
| Receipts from withdrawal of insurance contract   | –                                    | 4,588  |
| Net cash used in investing activities  | (38,102)                             | (12,231)   |
| Net cash from financing activities   |                                      |  |
| New secured bank and other borrowings raised   | 507,587                              | 68,019   |
| New bank overdrafts raised   | 252,967                              | 152,059  |
| Advance from a non-controlling shareholder of a subsidiary                               | 492                                  | 521  |
| Advance from a related company   | –                                    | 6,680  |
| Repayment of secured bank and other borrowings   | (427,143)                            | (98,302)   |
| Repayment of bank overdrafts   | (261,943)                            | (163,267)  |
| Repayment of bank borrowings under supplier financing arrangement                        | (164,836)                            | (174,093)  |
| Interest paid  | (11,584)                             | (14,640)   |
| Dividend paid  | (7,547)                              | –  |
| Repayment to a related company   | (4,000)                              | (7,800)  |
| Repayments of lease liabilities  | (1,814)                              | (1,401)  |
| Repayment to a non-controlling shareholder of a subsidiary                               | (798)                                | (586)  |
| Net cash used in financing activities  | (118,619)                            | (232,810)  |
| Net increase in cash and cash equivalents  | 36,870                               | 4,261  |
| Cash and cash equivalents at beginning of the period                                     | 68,444                               | 70,233   |
| Effect of foreign exchange rate changes  | (6,470)                              | 580  |
| Cash and cash equivalents at end of the period,<br>represented by bank balances and cash | 98,844                               | 75,074   |

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”). The Company’s functional currency is United State dollars (“**US\$**”). For the convenience of the financial statements users, the condensed consolidated financial statements are presented in HK\$ as the Company’s shares are listed on the Stock Exchange.

As disclosed in the Group’s annual financial statements for the year ended 31 December 2021, the Group has entered into certain supplier financing arrangements with banks in which the relevant banks pay suppliers directly for extinguishment of amounts owned by the Group. Upon application of agenda decision of the IFRS Interpretation Committee of the IASB issued in December 2020 in relation to Supply Chain Financing Arrangements, payments to suppliers by the banks are disclosed as non-cash transactions and repayments to the banks are included within financing cash flows. Certain comparative figures have been restated in the condensed consolidated statement of cash flows to reflect the conclusion of the agenda decision with no effect on previously reported result and equity.

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and properties, which are measured at fair value or revalued amounts, as appropriate.

Other than application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2021.

### APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

|                        |  |
|------------------------|--|
| Amendments to HKFRS 3  | Reference to the Conceptual Framework                        |
| Amendments to HKFRS 16 | Covid-19 Related Rent Concessions beyond 30 June 2021        |
| Amendments to HKAS 16  | Property, Plant and Equipment – Proceeds before intended Use |
| Amendments to HKFRS 37 | Onerous Contracts – Cost of Fulfilling a Contract            |
| Amendments to HKFRSs   | Annual Improvements to HKFRSs 2018–2020                      |

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 2. PRINCIPAL ACCOUNTING POLICIES (continued)

#### INVESTMENT PROPERTIES

Property that is held for long-term rental yields or for capital appreciation or both is classified as investment property. Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

If a property becomes an investment property because its use has changed, any difference between the carrying amount and the fair value of that item (including the relevant leasehold land classified as right-of-use assets) at the date of transfer is recognised in other comprehensive income and accumulated in property revaluation reserve. On the subsequent sale or retirement of the property, the relevant revaluation reserve will be transferred directly to retained profits.

#### TAXATION

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely.

### 3. REVENUE AND SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being the chief operating decision maker (“**CODM**”), for the purposes of resource allocation and performance assessment focuses on revenue analysis by products including wigs, hair accessories and others, high-end human hair extensions and Halloween products. No other discrete financial information is provided other than the profit for the period of the Group as a whole. Accordingly, no further segment information is disclosed.

#### DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

##### Group revenue by products

|                                   | Six months ended                     |                                      |
|-----------------------------------|--------------------------------------|--------------------------------------|
|                                   | 30.6.2022<br>HK\$'000<br>(Unaudited) | 30.6.2021<br>HK\$'000<br>(Unaudited) |
| Wigs, hair accessories and others | 420,271                              | 459,195                              |
| High-end human hair extensions    | 86,222                               | 68,048                               |
| Halloween products                | 35,565                               | 21,644                               |
|                                   | <b>542,058</b>                       | 548,887                              |

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

**3. REVENUE AND SEGMENT INFORMATION** (continued)**DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS** (continued)**Group revenue by location of delivery to customers**

|   | <b>Six months ended</b> |                    |
|---|-------------------------|--------------------|
|   | <b>30.6.2022</b>        | <b>30.6.2021</b>   |
|   | <b>HK\$'000</b>         | <b>HK\$'000</b>    |
|   | <b>(Unaudited)</b>      | <b>(Unaudited)</b> |
| United States of America                            | <b>478,683</b>          | 492,361            |
| The People's Republic of China (" <b>the PRC</b> ") | <b>13,756</b>           | 12,140             |
| United Kingdom                                      | <b>5,198</b>            | 7,442              |
| Germany   | <b>20,194</b>           | 17,240             |
| Japan   | <b>13,336</b>           | 14,593             |
| Others  | <b>10,891</b>           | 5,111              |
|   | <b>542,058</b>          | 548,887            |

All revenue is recognised at a point of time.

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the designated location (delivery). The normal credit period is 90 days upon delivery. A contract liability is recognised for receipt in advance for sales in which revenue has yet been recognised.

All the Group's sales contracts are for period of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

In the view of the Group's CODM, there is no seasonality of operations.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

**4. OTHER GAINS AND LOSSES**

|  | Six months ended   |                    |
|--|--------------------|--------------------|
|  | 30.6.2022          | 30.6.2021          |
|  | <i>HK\$'000</i>    | <i>HK\$'000</i>    |
|  | <b>(Unaudited)</b> | <b>(Unaudited)</b> |
| Losses on financial assets at FVTPL, net | <b>(2,992)</b>     | (1,817)            |
| Gains on derivative liabilities, net     | –                  | 232                |
| Net foreign exchange gains (losses)      | <b>710</b>         | (1,834)            |
|  | <b>(2,282)</b>     | (3,419)            |

**5. IMPAIRMENT ASSESSMENT ON TRADE RECEIVABLES UNDER EXPECTED CREDIT LOSS MODEL**

|  | Six months ended   |                    |
|--|--------------------|--------------------|
|  | 30.6.2022          | 30.6.2021          |
|  | <i>HK\$'000</i>    | <i>HK\$'000</i>    |
|  | <b>(Unaudited)</b> | <b>(Unaudited)</b> |
| Impairment losses recognised (reversed) on trade receivables under expected credit loss model, net of provision (reversal) | <b>47</b>          | (940)              |

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

**6. OTHER EXPENSES**

|                  | Six months ended |             |
|------------------|------------------|-------------|
|                  | 30.6.2022        | 30.6.2021   |
|                  | HK\$'000         | HK\$'000    |
|                  | (Unaudited)      | (Unaudited) |
| Donation expense | 119              | 388         |

**7. FINANCE COSTS**

|   | Six months ended |             |
|---|------------------|-------------|
|   | 30.6.2022        | 30.6.2021   |
|   | HK\$'000         | HK\$'000    |
|   | (Unaudited)      | (Unaudited) |
| Interest on bank borrowings                               | 10,816           | 14,452      |
| Less: amount capitalised in the cost of qualifying assets | -                | (3,631)     |
|   | 10,816           | 10,821      |
| Interest on lease liabilities                             | 409              | 446         |
| Interest on other borrowing                               | 289              | -           |
| Interest on amount due to a related company               | 70               | -           |
|   | 11,584           | 11,267      |

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 8. INCOME TAX EXPENSE

|                                       | Six months ended |             |
|---------------------------------------|------------------|-------------|
|                                       | 30.6.2022        | 30.6.2021   |
|                                       | HK\$'000         | HK\$'000    |
|                                       | (Unaudited)      | (Unaudited) |
| The taxation charge comprises:        |                  |             |
| Current tax:                          |                  |             |
| Hong Kong                             | –                | –           |
| Bangladesh                            | 1,162            | 1,695       |
| The PRC Enterprise Income Tax (“EIT”) | 15               | 3           |
| Other jurisdictions                   | 79               | 131         |
|                                       | <b>1,256</b>     | 1,829       |
| Over-provision in prior years:        |                  |             |
| Hong Kong                             | (739)            | –           |
|                                       | <b>517</b>       | 1,829       |
| Deferred tax:                         |                  |             |
| Current period                        | (476)            | (140)       |
|                                       | <b>41</b>        | 1,689       |

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting) the following items:

|   | Six months ended |             |
|---|------------------|-------------|
|   | 30.6.2022        | 30.6.2021   |
|   | HK\$'000         | HK\$'000    |
|   | (Unaudited)      | (Unaudited) |
| Depreciation of property, plant and equipment       | 23,532           | 18,368      |
| Depreciation of right-of-use assets                 | 1,883            | 1,776       |
| Total depreciation                                  | 25,415           | 20,144      |
| Capitalised in inventories                          | (19,150)         | (14,067)    |
|   | 6,265            | 6,077       |
| Interest income                                     | (73)             | (67)        |
| Government grants (included in other income) (Note) | (1,055)          | (123)       |

Note: During the interim period, included in government grants refers to an amount of HK\$960,000 in respect of COVID-19-related subsidies in relation to employment support scheme provided by the Hong Kong government. (six months ended 30 June 2021: HK\$123,000 provided by the Japan government).

### 10. DIVIDENDS

During the six months ended 30 June 2022, a final dividend of HK\$1.1 cents per share (2021: HK\$nil per share in respect of the year ended 31 December 2020) in respect of the year ended 31 December 2021 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared in the prior interim period amounted to approximately HK\$7,547,000 (2021: HK\$nil).

Subsequent to the end of the current interim period, the directors of the Group have determined that an interim dividend of HK\$1.7 cents per share amounting to HK\$11,663,000 in aggregate will be paid to owners of the Company whose names appear on the register of members of the Company on 16 September 2022.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 11. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

|  | Six months ended |             |
|--|------------------|-------------|
|  | 30.6.2022        | 30.6.2021   |
|  | HK\$'000         | HK\$'000    |
|  | (Unaudited)      | (Unaudited) |
| Earnings attributable to owners of the Company:  |                  |             |
| Earnings for the purpose of calculating basic and diluted earnings per share             | <b>26,846</b>    | 29,626      |
|  |                  |             |
|  | Six months ended |             |
|  | 30.6.2022        | 30.6.2021   |
|  | HK\$'000         | HK\$'000    |
|  | (Unaudited)      | (Unaudited) |
| Number of shares:  |                  |             |
| Weighted average number of ordinary shares for the purpose of basic earnings per share   | <b>686,082</b>   | 685,727     |
| Effect of dilutive potential ordinary shares:  |                  |             |
| Share awards scheme – unvested   | –                | 230         |
| Weighted average number of ordinary shares for the purpose of diluted earnings per share | <b>686,082</b>   | 685,957     |

No diluted earnings per share is presented for the six months ended 30 June 2022 as there were no potential ordinary shares in issue for the six months ended 30 June 2022.

The weighted average number of ordinary shares for the purpose of basic earnings per share shown above for the six months ended 30 June 2021 has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company. Other than unvested share awards, there were no other potential ordinary shares outstanding for the six months ended 30 June 2021.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 12. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS AND INVESTMENT PROPERTIES

During the six months ended 30 June 2022, the Group acquired certain property, plant and equipment of HK\$18,699,000 (for the six months ended 30 June 2021: HK\$9,651,000).

In the opinion of the directors of the Company, the respective carrying amounts of the Group's leasehold land and buildings at the end of the current interim period that are carried at revalued amounts do not differ significantly from their respective estimated fair values. Consequently, no revaluation surplus or deficit has been recognised in the interim periods ended 30 June 2022 and 2021.

During the six months ended 30 June 2022, the Group leased out certain properties with lease terms of 1 to 6 years to earn rentals. Accordingly, leasehold land and buildings of HK\$2,988,000 and its relevant leasehold land classified as right-of-use assets of HK\$2,321,000 were revalued to the fair value of HK\$12,649,000 and transferred to investment properties. The gain on revaluation of properties at the date of transfer is accumulated in property revaluation reserve.

During the six months ended 30 June 2022, the Group entered into a new lease agreement with lease term of 3 years (for the six months ended 30 June 2021: renewed several lease agreements and entered into several new lease agreements with lease terms ranged from 2.2 to 3 years). The Group is required to make fixed monthly payments during the contract period. On lease commencement, or effective date of lease modification, the Group recognised right-of-use assets of HK\$595,000 (for the six months ended 30 June 2021: HK\$5,006,000) and lease liabilities of HK\$595,000 (for the six months ended 30 June 2021: HK\$5,006,000).

### 13. INVENTORIES

|                  | <b>30.6.2022</b><br><i>HK\$'000</i><br><b>(Unaudited)</b> | 31.12.2021<br><i>HK\$'000</i><br><b>(Audited)</b> |
|------------------|---|---|
| Raw materials    | <b>348,972</b>  | 318,868   |
| Work in progress | <b>74,777</b>   | 89,140  |
| Finished goods   | <b>71,672</b>   | 63,442  |
|                  | <b>495,421</b>  | 471,450   |

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 14. TRADE AND OTHER RECEIVABLES

|   | 30.6.2022<br>HK\$'000<br>(Unaudited) | 31.12.2021<br>HK\$'000<br>(Audited) |
|---|--------------------------------------|-------------------------------------|
| Trade receivables   |                                      |                                     |
| – contracts with customers                                | <b>227,219</b>                       | 236,425                             |
| Less: allowance for credit loss                           | <b>(1,819)</b>                       | (1,772)                             |
|   | <b>225,400</b>                       | 234,653                             |
| Other receivables   | <b>35,599</b>                        | 36,132                              |
| Purchase rebate receivables                               | –                                    | 7,695                               |
| Other tax receivables                                     | <b>5,512</b>                         | 2,087                               |
| Prepayments   | <b>7,299</b>                         | 8,286                               |
| Deposits paid to suppliers                                | <b>7,343</b>                         | 5,462                               |
| Deposits for acquisition of property, plant and equipment | <b>5,812</b>                         | 6,491                               |
| Property rental deposits                                  | <b>1,245</b>                         | 1,105                               |
|   | <b>288,210</b>                       | 301,911                             |
| Analysis for reporting purpose as:                        |                                      |                                     |
| Non-current assets  | <b>7,057</b>                         | 7,596                               |
| Current assets  | <b>281,153</b>                       | 294,315                             |
|   | <b>288,210</b>                       | 301,911                             |

The Group allows an average credit period of 90 days to its trade customers.

The following is an analysis of trade receivables (net of allowance for credit loss) by age, presented based on the invoice date, which approximates the respective revenue recognition dates.

|               | 30.6.2022<br>HK\$'000<br>(Unaudited) | 31.12.2021<br>HK\$'000<br>(Audited) |
|---------------|--------------------------------------|-------------------------------------|
| 0–60 days     | <b>156,773</b>                       | 182,885                             |
| 61–90 days    | <b>44,032</b>                        | 37,612                              |
| 91–120 days   | <b>13,083</b>                        | 8,013                               |
| Over 120 days | <b>11,512</b>                        | 6,143                               |
|               | <b>225,400</b>                       | 234,653                             |

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 15. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged to banks to secure bank borrowings and are therefore classified as current assets.

The deposits carry fixed interest rate ranging from 0.001% to 1% (31 December 2021: 0.001% to 0.6%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

### 16. TRADE AND OTHER PAYABLES

|                             | <b>30.6.2022</b><br><i>HK\$'000</i><br><b>(Unaudited)</b> | 31.12.2021<br><i>HK\$'000</i><br><b>(Audited)</b> |
|-----------------------------|---|---|
| Trade payables              | <b>34,160</b>   | 44,551  |
| Accrued staff costs         | <b>34,631</b>   | 19,795  |
| Accruals and other payables | <b>9,077</b>  | 8,437   |
| Other employee liabilities  | <b>13,337</b>   | –   |
|                             | <b>91,205</b>   | 72,783  |

The following is an aged analysis of trade payables presented based on invoice date.

|           | <b>30.6.2022</b><br><i>HK\$'000</i><br><b>(Unaudited)</b> | 31.12.2021<br><i>HK\$'000</i><br><b>(Audited)</b> |
|-----------|---|---|
| 0–60 days | <b>34,160</b>   | 44,551  |

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

**17. SECURED BANK AND OTHER BORROWINGS/BANK OVERDRAFTS**

|   | <b>30.6.2022</b><br><i>HK\$'000</i><br><b>(Unaudited)</b> | 31.12.2021<br><i>HK\$'000</i><br><b>(Audited)</b> |
|---|---|---|
| Bank overdrafts   | <b>30,675</b>   | 42,088  |
| Bank borrowings   | <b>562,382</b>  | 487,253   |
| Bank borrowings under supplier financing arrangement        | <b>84,977</b>   | 108,788   |
| Other borrowing   | <b>14,588</b>   | 20,423  |
|   | <b>692,622</b>  | 658,552   |
|   |   |   |
|   | <b>30.6.2022</b><br><i>HK\$'000</i><br><b>(Unaudited)</b> | 31.12.2021<br><i>HK\$'000</i><br><b>(Audited)</b> |
| Amounts due within one year shown under current liabilities |   |   |
| Comprising:   |   |   |
| Bank overdrafts   | <b>30,675</b>   | 42,088  |
| Secured bank and other borrowings                           | <b>621,933</b>  | 575,240   |
|   | <b>652,608</b>  | 617,328   |
| Amounts shown under non-current liabilities                 |   |   |
| Comprising:   |   |   |
| Secured bank and other borrowings                           | <b>40,014</b>   | 41,224  |
| Total   | <b>692,622</b>  | 658,552   |

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 17. SECURED BANK AND OTHER BORROWINGS/BANK OVERDRAFTS (continued)

Bank overdrafts carry interest at market rates which range from 3.72% to 5.88% (31 December 2021: 3.63% to 5.50%) and are repayable on demand.

The other borrowing carries interest at LIBOR + 2.75% (31 December 2021: LIBOR + 2.75%) per annum and was secured by the Group's bank deposits of approximately HK\$4,680,000 (31 December 2021: HK\$4,680,000).

The bank borrowings arranged at floating rates are with average effective interest rates ranging from 1.74% to 5.23% (31 December 2021: 1.86% to 5.23%) per annum. The bank borrowings arranged at fixed rate are ranging from 1.19% to 1.78% (31 December 2021: ranging from 1.19% to 1.78%) per annum. As at 30 June 2022 and 31 December 2021, the Group's banking borrowing facilities were secured by:

- (a) pledge of the Group's bank deposits of approximately HK\$101,939,000 (31 December 2021: HK\$101,888,000);
- (b) leasehold land, buildings and carparks in Hong Kong of approximately HK\$79,100,000 (31 December 2021: HK\$79,100,000);
- (c) leasehold land and buildings, including related right-of-use assets in the PRC of carrying amounts of approximately HK\$18,518,100 (31 December 2021: HK\$24,734,000);
- (d) investment properties in the PRC of approximately HK\$10,062,000 (31 December 2021: HK\$Nil);
- (e) negative pledge on the assets of certain subsidiaries in the PRC and Bangladesh; and
- (f) certain life insurance contracts classified as financial assets at fair value through profit and loss of the Group.

### LOAN COVENANTS

The Group is required to comply with the financial covenants throughout the continuance of the relevant borrowings and/or as long as the borrowings is outstanding with a carrying amount of HK\$407,031,000 as at 30 June 2022 (31 December 2021: HK\$358,617,000). The Group has complied with these covenants throughout the reporting period.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 18. SHARE CAPITAL OF THE COMPANY

|   | Number of<br>shares  | Share<br>capital<br><i>US\$'000</i> |
|---|----------------------|-------------------------------------|
| Ordinary shares of US\$0.01 each                                    |                      |                                     |
| Authorised:   |                      |                                     |
| At 1 January 2021, 30 June 2021, 1 January 2022<br>and 30 June 2022 | <b>1,000,000,000</b> | <b>10,000</b>                       |
| Issued and fully paid:  |                      |                                     |
| At 1 January 2021, 30 June 2021, 1 January 2022<br>and 30 June 2022 | <b>686,082,000</b>   | <b>6,861</b>                        |

Shown in the condensed consolidated financial statement as:

|                                      | Amount<br><i>HK\$'000</i> |
|--------------------------------------|---------------------------|
| At 31 December 2021 and 30 June 2022 | <b>53,377</b>             |

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 19. SHARE BASED PAYMENT TRANSACTIONS

#### SHARE OPTION SCHEME

The Group adopted a share option scheme on 19 June 2017 (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to provide any directors and full-time employees of any members of the Group who have contributed or will contribute to the Group (the “**Participants**”) with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company with a flexible means of either retaining, incentivizing, rewarding, remunerating, compensating and/or providing benefits to Participants.

Pursuant to the Share Option Scheme, the directors of the Company may invite the Participants to take up options at a price determined by the board of directors provided that it shall be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange of Hong Kong Limited’s daily quotations sheet on the date on which an offer is made by the Company to the grantee (which must be a business day, the “**Offer Date**”); (b) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange of Hong Kong Limited’s daily quotations sheets for the 5 business days immediately preceding the Offer Date; and (c) the nominal value of a share of the Company.

The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Company shall not in aggregate exceed 10% of the total number of shares in issue as at 12 July 2017 unless the Company obtains a fresh approval from the shareholders to refresh the limit.

The maximum entitlement for any one Participant is that the total number of the shares issued and to be issued upon exercise of the options granted under the Share Option Scheme to each participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the total number of shares in issue unless otherwise approved by the shareholders at a general meeting of the Company.

The option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period which would be determined and notified by the board of directors to the grantee at the time of making an offer.

No share options have been granted by the Group up to the date of issuance of these condensed consolidated financial statements.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 19. SHARE BASED PAYMENT TRANSACTIONS (continued)

#### SHARE AWARD SCHEME

The Group adopted a share award scheme on 11 December 2017 (“**Share Award Scheme**”). The specific objectives of the Share Award Scheme are (i) to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

The result in the number of the shares awarded shall not exceed 5% of the number of the issued shares of the Company from time to time. The maximum number of shares which may be awarded to a selected employee under the Share Award Scheme shall not exceed 1% of the number of the issued shares of the Company from time to time.

During the year ended 31 December 2018, 5,334,000 ordinary shares of the Company have been acquired at an aggregate cost of HK\$8,000,000. On 16 January 2018, certain directors and employees of the Group have been awarded for 5,333,334 ordinary shares under the Share Award Scheme.

The award shares have been vested to the selected participants in first three tranches with 1,333,000 ordinary shares of the Company vested in July 2018, 1,735,000 ordinary shares of the Company vested in July 2019, 1,910,667 ordinary shares of the Company vested in July 2020 and 250,000 ordinary shares of the Company vested in July 2021.

On 5 July 2021, the Group granted 105,333 shares to certain employees of the Group under Share Award Scheme. These shares have been vested in October 2021.

As at 30 June 2022 and 31 December 2021, all shares have been granted and vested and no ordinary share of the Company was held by the trustee of the Share Award Scheme.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

#### FAIR VALUE MEASUREMENTS AND VALUATION PROCESSES

In estimating the fair value, the Group uses market-observable data to the extent it is available. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

#### FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

| Financial asset  | Fair value as at                            |  | Fair value hierarchy | Valuation technique and key inputs   |
|--|---|--|----------------------|--|
|  | 30.6.2022<br><i>HK\$'000</i><br>(Unaudited) | 31.12.2021<br><i>HK\$'000</i><br>(Audited) |                      |  |
| Investment fund classified as financial assets at FVTPL                        | <b>Assets – 3,893</b>                       | Assets – –                                 | Level 2              | Based on the net asset values of the investment fund, determined with reference to the observable (quoted) prices of underlying investment portfolio and adjustments expenses. |
| Life insurance contracts classified as financial assets at FVTPL <i>(Note)</i> | <b>Assets – 33,574</b>                      | Assets – 20,371                            | Level 3              | Account values quoted by insurance companies   |

*Note:* The returns of these financial assets represent the guaranteed interest plus a premium determined by the insurance companies and the related surrender charge is for termination of the life insurance contracts. Accordingly, the directors of the Company consider the account values quoted by the insurance companies as at 30 June 2022 and 31 December 2021 as an appropriate estimate of fair value.

There is no transfers between Level 1 and Level 2 at the end of the reporting period.

#### FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE NOT MEASURED AT FAIR VALUE ON A RECURRING BASIS

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values. Such fair values have been determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 21. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2022, bank borrowings under supply chain financing arrangements of approximately HK\$141,025,000 (six months ended 30 June 2021: HK\$130,046,000) represent the payments to the suppliers by the relevant banks directly.

### 22. CAPITAL COMMITMENT

|  | 30.6.2022<br>HK\$'000<br>(Unaudited) | 31.12.2021<br>HK\$'000<br>(Audited) |
|--|--------------------------------------|-------------------------------------|
| Contracted for but not provided in the condensed consolidated financial statements of financial position in respect of |                                      |                                     |
| – acquisition of land for construction   | 533                                  | 939                                 |

### 23. RELATED PARTY TRANSACTIONS

Other than balances disclosed elsewhere in the condensed consolidated financial statements, the Group had the following transactions with related parties for both periods:

| (a)   | Six months ended                     |                                      |
|---|--------------------------------------|--------------------------------------|
|   | 30.6.2022<br>HK\$'000<br>(Unaudited) | 30.6.2021<br>HK\$'000<br>(Unaudited) |
| Computer product and service expenses ( <i>Note</i> ) | 540                                  | 540                                  |

*Note:* For both periods, the Group entered into transactions with Hopcom Software Company Limited which is controlled by the late Mr. Chang Chih Lung (who passed away in March 2022) and Mr. Chang Yoe Chong, Felix, who are also the directors and controlling shareholders of the Company.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 23. RELATED PARTY TRANSACTIONS (continued)

#### (b) Compensation of key management personnel

The remuneration of directors and other members of key management during the period was as follows:

|                          | Six months ended |              |
|--------------------------|------------------|--------------|
|                          | 30.6.2022        | 30.6.2021    |
|                          | HK\$'000         | HK\$'000     |
|                          | (Unaudited)      | (Unaudited)  |
| Short-term benefits      | 4,951            | 3,498        |
| Post-employment benefits | 46               | 41           |
|                          | <b>4,997</b>     | <b>3,539</b> |

The remuneration of directors and other members of key management is determined having regard to the performance of individuals and market trends.

### 24. EVENT AFTER THE END OF THE REPORTING PERIOD

- (a) On 10 August 2022, the Group entered into a supplemental agreement with a related company which stated that any advances from that related company after 10 August 2022 will change from a fixed interest of 4.5% per annum to bearing a floating interest rate of HIBOR +3.5%.
- (b) On 19 August 2022, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group agreed to sell its entire equity interest in its wholly-owned subsidiary, Evergreen Ukraine Investment Limited, which held an office building in Ukraine, at a total cash consideration of HK\$10,000,000 and assignment of shareholder's loan as at the date of completion of disposal.

Details of the above are set out in the announcement of the Company dated 19 August 2022.