

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

2023
INTERIM REPORT

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Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chang Yoe Chong Felix
(Chairman and Chief Executive Officer)
Mr. Chan Kwok Keung
Ms. Jia Ziyang
Mr. Li Yanbo

NON-EXECUTIVE DIRECTOR

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
(resigned with effect from 1 June 2023)

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

Mr. Chan Kwok Keung
Mr. Siu Ching Hung *(ACG, HKACG)*

AUDIT COMMITTEE

Mr. Sin Hendrick *M.H. (Chairman)*
Mr. Szeto Yuk Ting
Mr. Tseung Yuk Hei Kenneth
(resigned with effect from 1 June 2023)
Ir. Cheung Siu Wa
(appointed with effect from 1 June 2023)

REMUNERATION COMMITTEE

Mr. Szeto Yuk Ting *(Chairman)*
Mr. Chang Yoe Chong Felix
Mr. Sin Hendrick *M.H.*
Mr. Tseung Yuk Hei Kenneth
(resigned with effect from 1 June 2023)
Ir. Cheung Siu Wa
(appointed with effect from 1 June 2023)

NOMINATION COMMITTEE

Mr. Chang Yoe Chong Felix *(Chairman)*
Mr. Sin Hendrick *M.H.*
Mr. Szeto Yuk Ting
Mr. Tseung Yuk Hei Kenneth
(resigned with effect from 1 June 2023)
Ir. Cheung Siu Wa
(appointed with effect from 1 June 2023)

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

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

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 2023 (the “**Period**”), together with the comparative figures for the corresponding period in 2022.

BUSINESS REVIEW

The global economic growth has slowed down amid the persistently high energy and food prices. The consumer purchasing power on hair products has decreased and customers have shifted to hair products of lower prices. In the current complex and changeable environment, the Group has enhanced the operation and management efforts and dispatched research and development technicians to increase the cooperative relationship with the key customers and greatly adjusted the products mix and production capacities, ensuring the process of group production and operation to be effective and efficient. The revenue of the Group amounted to HK\$479.2 million for the Period, representing a decrease of approximately 11.6% for the corresponding period in 2022. The sales of braid and special braid products with low margin gradually increased but were offset by a slowdown in the sales of lace wigs and closures and human hair extension products with high margin during the Period. Gross profit margin continuously improved to 23.0%, which was continuously supported by the devaluation of the Bangladeshi Taka against the United States dollar and adoption of the cost control strategies paid off which streamlined the process of production and operation. Net profit margin increased to 6.2% when compared to 4.3% for the corresponding period ended 30 June 2022, which is mainly a result of the one-off realised gain on the disposal of the Ukraine subsidiary.

OUTLOOK

The Group will continue to enlarge the sales team to explore new market opportunities but also develop the direct sales channels to end customers, 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 to improve the bank loan portfolio to reinforce the balance sheet and the cost-control to further increase the profitability the soonest possible and enhance the liquidity. The Board believes that the Group has managed the complex and changeable business environment and predicts that the market demand for hair products will gradually stabilise towards the end of this year. The Group will continue to focus on its core business, closely monitor the latest development of the industry and adjust its strategies to provide the best interest to 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 raised compared with the same period in 2022, mainly due to the benefit from the devaluation of the Bangladeshi Taka against the United States dollar, the cost control strategies paid off and the one-off realised gain on the disposal of Ukraine subsidiary.

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\$479.2 million, representing a decrease of HK\$62.9 million, or 11.6%, as compared to HK\$542.1 million for the corresponding period in 2022. The decrease was primarily due to the fact that the market demand of the braid products with low margin gradually restored but was offset by the slowdown in sale of lace wigs and closure and human hair products with high margin. During the Period, the revenue generated from hair goods made at the Bangladesh factory accounted for 98.6% of the Group's total revenue as compared to 97.4% for the corresponding period in 2022.

The United States remained as the Group's principal market during the Period with revenue contribution accounting for 89.6% of the Group's total revenue during the Period as compared to 88.3% for the corresponding period in 2022. In terms of product segment, wigs, hair accessories and others remained as the Group's key product segment accounting for 82.2% of its total revenue during the Period as compared to 77.5% for the corresponding period in 2022.

Wigs, hair accessories and others. Revenue for wigs, hair accessories and others decreased by HK\$26.3 million, or 6.3%, from HK\$420.3 million for the six months ended 30 June 2022 to HK\$394.0 million for the Period. The decrease was primarily due to a drop in sales of lace wig items which was one of the popular products. However, the sales of braid and special braid increased, which offset the drop in the sales of lace wig items.

High-end human hair extensions. Revenue for high-end human hair extensions decreased by HK\$32.0 million, or 37.1%, from HK\$86.2 million for the six months ended 30 June 2022 to HK\$54.2 million for the Period, primarily due to a decrease in sales volume of human hair products for which the market demand shifted to braid products with low margin due to a decrease in the consumer purchasing power.

Management Discussion and Analysis

Halloween products. Revenue for Halloween products decreased by HK\$4.6 million, or 12.9%, from HK\$35.6 million for the six months ended 30 June 2022 to HK\$31.0 million for the Period, primarily due to a decrease in sales volume due to more conservative customers' orders due to a decrease in the consumer purchasing power.

COST OF GOODS SOLD

The Group's cost of goods sold decreased by HK\$58.5 million, or 13.7%, from HK\$427.7 million for the six months ended 30 June 2022 to HK\$369.2 million for the Period, primarily due to a decrease in direct labour cost by streamlining the production process during the Period.

Wigs, hair accessories and others. Cost of goods sold for wigs, hair accessories and others decreased by HK\$25.5 million, or 7.6%, from HK\$337.5 million for the six months ended 30 June 2022 to HK\$312.0 million for the Period, corresponding with a decrease in direct labour cost by streamlining the production process during the Period.

High-end human hair extensions. Cost of goods sold for high-end human hair extensions decreased by HK\$28.1 million, or 43.2%, from HK\$65.0 million for the six months ended 30 June 2022 to HK\$36.8 million for the Period. The decrease was in line with the decrease in revenue from high-end human hair extensions products during the Period.

Halloween products. Cost of goods sold for Halloween products decreased by HK\$4.8 million, or 19.1%, from HK\$25.1 million for the six months ended 30 June 2022 to HK\$20.3 million for the Period. The decrease was in line with the decrease in revenue from Halloween products during the Period.

GROSS PROFIT

During the Period, the Group's gross profit amounted to HK\$110.0 million, representing a decrease of HK\$4.4 million, or 3.8%, as compared to HK\$114.4 million for the corresponding period in 2022. The gross profit remained stable primarily due to a decrease in direct labour cost by streamlining the production process, while offset with a drop in sales during the Period. During the Period, the Group's gross profit margin was 23.0%, representing an increase of 1.9% from 21.1% for the corresponding period in 2022.

Wigs, hair accessories and others. Gross profit for wigs, hair accessories and others decreased by HK\$0.8 million, or 1.0%, from HK\$82.8 million for the six months ended 30 June 2022 to HK\$82.0 million for the Period. Gross profit margin for wigs, hair accessories and others increased from 19.7% for the six months ended 30 June 2022 to 20.8% for the Period, primarily due to a decrease 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\$3.8 million, or 17.9%, from HK\$21.2 million for the six months ended 30 June 2022 to HK\$17.4 million for the Period. Gross profit margin for high-end human hair extensions increased from 24.6% for the six months ended 30 June 2022 to 32.0% for the Period, primarily due to a decrease in total production costs of Human hair extension products during the Period.

Halloween products. Gross profit for Halloween products increased by HK\$0.3 million, or 2.9%, from HK\$10.4 million for the six months ended 30 June 2022 to HK\$10.7 million for the Period. Gross profit margin for Halloween products increased from 29.2% for the six months ended 30 June 2022 to 34.4% for the Period, primarily due to a decrease in total production costs of Halloween products during the Period.

OTHER INCOME

Other income increased by HK\$0.2 million, or 7.6%, from HK\$2.7 million for the six months ended 30 June 2022 to HK\$2.9 million for the Period, primarily due to an increase in bank interest income and rental income during the Period.

OTHER GAINS AND LOSSES

Other gains and losses increased by HK\$4.9 million, or 214.4%, from losses of HK\$2.3 million for the six months ended 30 June 2022 to gain of HK\$2.6 million for the Period. The other gains and losses primarily comprised a loss amounting to HK\$0.2 million from the fair value change of the financial assets at fair value through profit and loss and HK\$2.8 million from the foreign currency conversion during the Period.

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

During the Period, the Group provided an impairment allowance of approximately HK\$0.1 million in respect of trade receivables (2022: The Group provided HK\$0.1 million).

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses increased by HK\$2.6 million, or 29.5%, from HK\$8.8 million for the six months ended 30 June 2022 to HK\$11.4 million for the Period, primarily due to an increase in shipping expenses and advertising expenses during the Period.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by HK\$9.9 million, or 14.0%, from HK\$70.8 million for the six months ended 30 June 2022 to HK\$60.9 million for the Period, primarily due to a decrease in salaries and staff benefits (including director's remuneration) due to the reduction on bonus payment.

Management Discussion and Analysis

OTHER EXPENSES

Other expenses increased by HK\$0.3 million, or 300%, from HK\$0.1 million for the six months ended 30 June 2022 to HK\$0.4 million for the Period, primarily due to an increase in donation made during the Period.

GAIN ON DISPOSAL OF AN INVESTMENT IN A SUBSIDIARY

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 cash consideration of HK\$10.0 million and assignment of shareholder's loan of HK\$5.0 million as at the date of the completion of disposal. The disposal was completed on 30 April 2023 in which the Group lost control of Evergreen Ukraine Investment Limited. The transaction has resulted in the Group recognising a gain of HK\$4.4 million.

FINANCE COSTS

Finance costs increased by HK\$5.3 million, or 45.7%, from HK\$11.6 million for the six months ended 30 June 2022 to HK\$16.9 million during the Period, it was mainly due to an increase in the interest rate.

TAXATION

Income tax expenses of the Group increased by approximately HK\$0.6 million, or 1,456%, from a taxation of HK\$0.1 million for the six months ended 30 June 2022 to a taxation of approximately HK\$0.6 million for the Period, primarily due to the expiring tax holiday for income tax in Bangladesh. Income tax expense included a reversal of deferred taxation in the amount of HK\$0.1 million for the Period (2022: included a reversal of deferred taxation in the amount of HK\$0.5 million).

NET PROFIT

The Group's net profit for the Period was HK\$29.7 million, representing an increase of HK\$6.3 million, or 26.9%, as compared to HK\$23.4 million for the corresponding period in 2022, which was primarily attributable to the benefit from the devaluation of the Bangladeshi Taka against the United States dollar, the one-off realised gain on the disposal of Ukraine subsidiary and the cost control strategies paid off.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's bank balances, pledged bank deposits and cash increased by 14.7% from HK\$170.0 million as at 31 December 2022 to HK\$195.0 million as at 30 June 2023. The increase in cash and bank balances for the Period was primarily due to an increase in the usage of the bank borrowings during the Period.

The Group's trade and other receivables increased by 23.6% from HK\$234.6 million as at 31 December 2022 to HK\$289.9 million as at 30 June 2023. The increase was primarily due to an increase in trade receivables as the customer resume to normal settlement date.

Management Discussion and Analysis

BORROWINGS AND GEARING RATIO

As at 30 June 2023, the Group's banking facilities amounted to HK\$813.0 million, of which HK\$190.7 million remained unutilised. As at 30 June 2023, the gearing ratio of the Group, which is equivalent to total interest-bearing debt (including secured bank borrowings and lease liabilities) divided by total equity, was 62.0% as compared to 61.9% as at 31 December 2022. 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\$13.9 million on additions to fixed assets as compared to HK\$18.7 million for the corresponding period in 2022, mainly due to maintain its manufacturing capabilities in Bangladesh. As at 30 June 2023, the Group had capital commitments of HK\$2.2 million in respect of property, plant and equipment (31 December 2022: HK\$0.6 million).

FOREIGN EXCHANGE RISK

The Group has sales and purchases denominated in foreign currencies, such as the United States 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 the United States dollars. With the increase of the production of the Group in Bangladesh (revenue contributed by the Bangladesh factory having slightly rose to 98.6% during the Period (30 June 2022: 97.4%)) and the United States dollars being the main foreign currency used in the operations in Bangladesh and Hong Kong, the use of the United States 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 the United States 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 the United States dollars to hedge against any fluctuation in the exchange rate of the United States dollars.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities.

Management Discussion and Analysis

PLEDGE OF ASSETS

As at 30 June 2023, the Group's banking borrowing facilities were secured by:

- (a) pledge of the Group's bank deposits of approximately HK\$89.2 million (31 December 2022: HK\$85.2 million);
- (b) leasehold land and buildings and carparks in Hong Kong of approximately HK\$88.0 million (31 December 2022: HK\$89.4 million);
- (c) the Group's land and buildings of approximately HK\$25.3 million (31 December 2022: HK\$28.4 million);
- (d) investment properties in the PRC of approximately HK\$8.5 million (31 December 2022: HK\$9.3 million);
- (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 2023, the Group's other borrowing was secured by the Group's bank deposits of approximately HK\$6.5 million (31 December 2022: HK\$6.7 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2023, the Group employed a total of 24,454 employees, as compared to 30,391 employees as at 30 June 2022.

Total employee expenditures during the Period amounted to HK\$151.9 million as compared to HK\$208.8 million for the corresponding period in 2022. 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.

On 11 December 2017, the Company adopted the Share Award Scheme. The Share Award Scheme was completed and terminated as at 30 November 2021.

Management Discussion and Analysis

OTHERS

On 17 May 2023, Evergreen Products Factory (YZ) Co. Ltd., a wholly-owned subsidiary of the Company in the PRC (“**the Subsidiary**”) received a Notification of Proceeding served by the Court in relation to a contractual dispute in ordinary businesses with a supplier, in the amount of approximately HK\$18 million. The legal proceeding is still on-going as at the date of this announcement. The management of the Subsidiary is continuing to negotiate with the supplier to settle these amounts out of court.

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 2023.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK\$4.2 cent per Share for the Period (30 June 2022: HK\$1.7 cent per share of an interim dividend declared), totally approximately HK\$28.8 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 97.0% for the Period (2022: interim dividend payout ratio: 49.7%).

The interim dividend will be payable on Thursday, 21 September 2023 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 15 September 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 13 September 2023 to Friday, 15 September 2023, 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 Tuesday, 12 September 2023.

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 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 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 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 2023, 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 ⁽⁷⁾ |
|----------------------------------|---|----------------------------|--|
| Mr. Chang Yoe Chong Felix | (i) Beneficiary of a trust/ Founder of a discretionary trust | 343,369,803 ⁽¹⁾ | 50.05% |
| | (ii) Beneficial owner | 12,790,000 ⁽²⁾ | 1.86% |
| Mr. Chan Kwok Keung | Beneficial owner | 1,000,000 ⁽³⁾ | 0.15% |
| Ms. Jia Ziyang | (i) Beneficial owner | 394,000 ⁽⁴⁾ | 0.06% |
| | (ii) Interest of spouse | 100,000 ⁽⁶⁾ | 0.01% |
| Mr. Li Yanbo | (i) Beneficial owner | 100,000 ⁽⁵⁾ | 0.01% |
| | (ii) Interest of spouse | 394,000 ⁽⁶⁾ | 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 2023.

Corporate Governance and Other Information

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

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

Corporate Governance and Other Information

| Name of Director/ chief executive | Name of our associated corporations | Capacity/nature of interest | Number of shares interested | Approximate percentage of shareholding |
|---|--|--|-----------------------------------|--|
| Mr. Chang Yoe Chong Felix ⁽³⁾ | Fast Track Ventures Limited ⁽²⁾ | Beneficiary of a trust/ Founder of a discretionary trust | 1 | 100% |
| Mr. Chang Yoe Chong Felix ⁽³⁾ | Golden Image Ventures Limited ⁽²⁾ | Beneficiary of a trust/ Founder of a discretionary trust | 1 | 100% |
| Mr. Chang Yoe Chong Felix ⁽³⁾ | Market Focus Ventures Limited ⁽²⁾ | Beneficiary of a trust/ Founder of a discretionary trust | 1 | 100% |
| Mr. Chang Yoe Chong Felix ⁽³⁾ | Punchline Ventures Limited ⁽²⁾ | Beneficiary of a trust/ Founder of a discretionary trust | 1 | 100% |
| Mr. Chang Yoe Chong Felix ⁽³⁾ | Smart Plus Ventures Limited ⁽²⁾ | Beneficiary of a trust/ Founder of a discretionary trust | 1 | 100% |
| Mr. Chang Yoe Chong Felix ⁽³⁾ | Eastern Earnings (China) Company Limited ⁽⁴⁾ | Beneficiary of a trust/ Founder of a discretionary trust | 1,000,000 | 100% |
| Mr. Chang Yoe Chong Felix ⁽³⁾ | Sunleaf Holdings Limited ⁽⁴⁾ | Beneficiary of a trust/ Founder of a discretionary trust | 7,000 | 70% |
| | | Interest of controlled corporation ⁽⁵⁾ | 3,000 | 30% |
| Mr. Chang Yoe Chong Felix ⁽³⁾ | Evergreen Housekeepers Training Center Limited ⁽⁴⁾ | 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 50.05% 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) 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 2023, 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 2023, the following corporations/persons had interests of 5% or more in the issued Shares which shall be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 ⁽⁴⁾ |
|--|---|--------------------------------|--|
| Evergreen Holdings ⁽¹⁾ | Beneficial owner | 343,369,803 (Long position) | 50.05% |
| Golden Evergreen ⁽¹⁾ | Interest of controlled corporation | 343,369,803 (Long position) | 50.05% |
| FC Investment ⁽¹⁾ | Interest of controlled corporation | 343,369,803 (Long position) | 50.05% |
| FC Management ⁽¹⁾ | Interest of controlled corporation | 343,369,803 (Long position) | 50.05% |
| CLC Investment ⁽¹⁾ | Interest of controlled corporation | 343,369,803 (Long position) | 50.05% |
| CLC Management ⁽¹⁾ | Interest of controlled corporation | 343,369,803 (Long position) | 50.05% |
| HSBC International Trustee Limited ⁽¹⁾ | Trustee of a trust | 343,369,803 (Long position) | 50.05% |
| Mr. Chang Chih Lung (deceased) ⁽¹⁾ | Beneficiary of a trust/ Founder of a discretionary trust | 343,369,803 (Long position) | 50.05% |
| Ms. Wong Hor Yan ⁽²⁾ | Interest of spouse | 356,159,803 (Long position) | 51.91% |
| SEAVI Advent Investments Ltd. ("SEAVI Advent") ⁽³⁾ | Beneficial owner | 102,386,197 (Long position) | 14.92% |
| SEAVI Advent Equity V (A) Ltd | Interest of controlled corporation | 102,386,197 (Long position) | 14.92% |
| Precision Global Capital Management LLC | Beneficial owner | 56,464,000 (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 2023.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2023, 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 ordinary shares of the Company (the “**Shares**”).

As at 30 June 2023, no option has been granted or agreed to be granted under the share option 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

There is no change in information of the Directors since the publication of the annual report of the Company for the year ended 31 December 2022, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

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 2023

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

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TO THE BOARD OF DIRECTORS OF EVERGREEN PRODUCTS GROUP LIMITED

訓修實業集團有限公司

(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 22 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2023 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.

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 HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

24 August 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

| | Notes | Six months ended | |
|---|-------|--------------------------------------|--------------------------------------|
| | | 30.6.2023 HK\$'000 (Unaudited) | 30.6.2022 HK\$'000 (Unaudited) |
| Revenue | 3 | 479,193 | 542,058 |
| Cost of sales | | (369,190) | (427,696) |
| Gross profit | | 110,003 | 114,362 |
| Other income | | 2,899 | 2,693 |
| Other gains and losses | 4 | 2,611 | (2,282) |
| Impairment losses recognised on trade receivables under expected credit loss model, net of reversal | 5 | (4) | (47) |
| Distribution and selling expenses | | (11,441) | (8,781) |
| Administrative expenses | | (60,901) | (70,754) |
| Other expenses | 6 | (372) | (119) |
| Gain on disposal of an investment in a subsidiary | 7 | 4,414 | – |
| Finance costs | 8 | (16,870) | (11,584) |
| Profit before tax | | 30,339 | 23,488 |
| Income tax expense | 9 | (638) | (41) |
| Profit for the period | 10 | 29,701 | 23,447 |
| Other comprehensive income (expense): | | | |
| <i>Items that will not be reclassified to profit or loss:</i> | | | |
| 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 |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences arising from translation of foreign operations | | (13,806) | (39,963) |
| Reclassification of cumulative reserve to profit and loss upon disposal of a subsidiary | | 1,272 | – |
| Other comprehensive expense for the period, net of income tax | | (12,534) | (34,458) |
| Total comprehensive income (expense) for the period | | 17,167 | (11,011) |

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

| | <i>Notes</i> | Six months ended | |
|---|--------------|-------------------------|-------------|
| | | 30.6.2023 | 30.6.2022 |
| | | HK\$'000 | HK\$'000 |
| | | (Unaudited) | (Unaudited) |
| Profit (loss) for the period attributable to: | | | |
| Owners of the Company | | 31,621 | 26,846 |
| Non-controlling interests | | (1,920) | (3,399) |
| | | 29,701 | 23,447 |
| Total comprehensive income (expense) attributable to: | | | |
| Owners of the Company | | 19,619 | (6,188) |
| Non-controlling interests | | (2,452) | (4,823) |
| | | 17,167 | (11,011) |
| Earnings per share (HK\$) | 12 | | |
| – basic | | 0.05 | 0.04 |
| – diluted | | N/A | N/A |

Condensed Consolidated Statement of Financial Position

At 30 June 2023

| | | 30.6.2023 HK\$'000 (Unaudited) | 31.12.2022 HK\$'000 (Audited) |
|--|--------------|--------------------------------------|-------------------------------------|
| | <i>Notes</i> | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | 13 | 594,247 | 618,712 |
| Investment properties | 13 | 11,660 | 12,143 |
| Financial assets at fair value through profit or loss ("FVTPL") | | 44,713 | 42,672 |
| Non-current deposits | 15 | 5,112 | 5,138 |
| | | 655,732 | 678,665 |
| CURRENT ASSETS | | | |
| Inventories | 14 | 442,282 | 476,030 |
| Trade and other receivables | 15 | 289,884 | 234,558 |
| Tax recoverable | | 3,730 | 1,545 |
| Pledged bank deposits | 16 | 95,725 | 91,852 |
| Cash and cash equivalents | | 99,267 | 78,612 |
| | | 930,888 | 882,597 |
| Assets classified as held for sale | | - | 9,311 |
| | | 930,888 | 891,908 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 17 | 113,168 | 87,649 |
| Contract liabilities | | 12,898 | 7,100 |
| Amount due to a related company | | 6,550 | 10,750 |
| Amount due to a non-controlling shareholder of a subsidiary | | 13,031 | 12,093 |
| Tax payable | | 8,053 | 7,511 |
| Secured bank and other borrowings | 18 | 498,736 | 507,732 |
| Bank overdrafts | 18 | 11,570 | 18,491 |
| Lease liabilities | | 1,921 | 1,424 |
| | | 665,927 | 652,750 |
| NET CURRENT ASSETS | | 264,961 | 239,158 |
| | | 920,693 | 917,823 |

Condensed Consolidated Statement of Financial Position

At 30 June 2023

| | | 30.6.2023 | 31.12.2022 |
|--|--------------|--------------------|------------|
| | | HK\$'000 | HK\$'000 |
| | <i>Notes</i> | (Unaudited) | (Audited) |
| CAPITAL AND RESERVES | | | |
| Share capital | 19 | 53,377 | 53,377 |
| Reserves | | 837,266 | 844,304 |
| Amount recognised in other comprehensive income and accumulated in equity relating to assets classified as held for sale | | - | (1,272) |
| Equity attributable to owners of the Company | | 890,643 | 896,409 |
| Non-controlling interests | | (10,773) | (8,321) |
| TOTAL EQUITY | | 879,870 | 888,088 |
| NON-CURRENT LIABILITIES | | | |
| Deferred tax liabilities | | 7,217 | 7,480 |
| Lease liabilities | | 8,591 | 8,224 |
| Secured bank and other borrowings | 18 | 25,015 | 14,031 |
| | | 40,823 | 29,735 |
| | | 920,693 | 917,823 |

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

| | Attributable to owners of the Company | | | | | | | | | | | | Total HK\$'000 |
|---|---------------------------------------|---------------------------|---|--|---------------------------------|---|---|---------------------------------|--|------------------------------|-----------------------|---------------------------------------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Capital reserve HK\$'000 (Note (a)) | Property revaluation reserve HK\$'000 | Share award reserve HK\$'000 | Share held for share award scheme HK\$'000 | Other reserve HK\$'000 (Note (b)) | Translation reserve HK\$'000 | Amount recognised in other comprehensive income for assets held for sale HK\$'000 | Retained profits HK\$'000 | Sub-total HK\$'000 | Non-controlling interests HK\$'000 | |
| At 1 January 2023 (audited) | 53,377 | 466,772 | (53,992) | 118,167 | - | - | (76) | (103,415) | (1,272) | 416,848 | 896,409 | (8,321) | 888,088 |
| Profit for the period | - | - | - | - | - | - | - | - | - | 31,621 | 31,621 | (1,920) | 29,701 |
| Exchange differences arising from translation of foreign operations | - | - | - | - | - | - | - | (13,274) | - | - | (13,274) | (532) | (13,806) |
| Reclassified of cumulative reserve to profit and loss upon disposal of a subsidiary | - | - | - | - | - | - | - | - | 1,272 | - | 1,272 | - | 1,272 |
| Total comprehensive income/(expense) for the period | - | - | - | - | - | - | - | (13,274) | 1,272 | 31,621 | 19,619 | (2,452) | 17,167 |
| Dividends recognised as distribution (note 11) | - | - | - | - | - | - | - | - | - | (25,385) | (25,385) | - | (25,385) |
| At 30 June 2023 (unaudited) | 53,377 | 466,772 | (53,992) | 118,167 | - | - | (76) | (116,689) | - | 423,084 | 890,643 | (10,773) | 879,870 |

| | Attributable to owners of the Company | | | | | | | | | | | | Total HK\$'000 |
|---|---------------------------------------|---------------------------|---|--|---------------------------------|---|---|---------------------------------|------------------------------|-----------------------|---------------------------------------|----------|-------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Capital reserve HK\$'000 (Note (a)) | Property revaluation reserve HK\$'000 | Share award reserve HK\$'000 | Share held for share award scheme HK\$'000 | Other reserve HK\$'000 (Note (b)) | Translation reserve HK\$'000 | Retained profits HK\$'000 | Sub-total HK\$'000 | Non-controlling interests 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 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 11) | - | - | - | - | - | - | - | - | (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 | |

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 2023

| | Six months ended | |
|--|--------------------------------------|--------------------------------------|
| | 30.6.2023 HK\$'000 (Unaudited) | 30.6.2022 HK\$'000 (Unaudited) |
| Operating activities | | |
| Profit before tax | 30,339 | 23,488 |
| Adjustment for: | | |
| Decrease (increase) in inventories | 33,748 | (23,971) |
| Increase in trade and other payables | 114,187 | 150,634 |
| Other operating activities | (962) | 43,440 |
| Net cash from operating activities | 177,312 | 193,591 |
| Investing activities | | |
| Purchase of property, plant and equipment | (13,811) | (17,350) |
| Payment for new insurance contracts | (567) | (16,195) |
| Purchase of investment funds | (1,680) | (3,893) |
| Placement of pledged bank deposits | (3,873) | – |
| Payment for property rental deposits | (12) | (67) |
| Interest received | 929 | 73 |
| Deposit paid for acquisition of property, plant and equipment | – | (670) |
| Net cash used in investing activities | (19,014) | (38,102) |
| Net cash from financing activities | | |
| New secured bank and other borrowings raised | 557,602 | 507,587 |
| New bank overdrafts raised | 100,365 | 252,967 |
| Advance from a non-controlling shareholder of a subsidiary | 938 | 492 |
| Repayment of secured bank and other borrowings | (547,013) | (427,143) |
| Repayment of bank overdrafts | (107,330) | (261,943) |
| Repayment of bank borrowings under supplier financing arrangement | (91,920) | (164,836) |
| Dividend paid | (25,385) | (7,547) |
| Interest paid | (16,870) | (11,584) |
| Repayment to a related company | (4,200) | (4,000) |
| Repayments of lease liabilities | (1,094) | (1,814) |
| Repayment to a non-controlling shareholder of a subsidiary | – | (798) |
| Net cash used in financing activities | (134,907) | (118,619) |
| Net increase in cash and cash equivalents | 23,391 | 36,870 |
| Cash and cash equivalents at the beginning of the period | 78,612 | 68,444 |
| Effect of foreign exchange rate changes | (2,736) | (6,470) |
| Cash and cash equivalents at the end of the period, represented by bank balances and cash | 99,267 | 98,844 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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 the United States 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.

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 additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

APPLICATION OF AMENDMENTS TO HKFRSs

In the current reporting period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

| | |
|---|--|
| HKFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17) | Insurance Contracts |
| Amendments to HKAS 8 | Definition of Accounting Estimates |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction |

Except as described below, the application of the amendments to HKFRSs in the current reporting 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 2023

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 IMPACTS ON APPLICATION OF AMENDMENTS TO HKAS 8 *DEFINITION OF ACCOUNTING ESTIMATES*

The amendments define accounting estimates as “monetary amounts in financial statements that are subject to measurement uncertainty”. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments to HKAS 8 clarify the distinction between changes in accounting estimates, and changes in accounting policies and the correction of errors.

The application of the amendments in the current period had no material impact on the condensed consolidated financial statements.

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES ON APPLICATION OF AMENDMENTS TO HKAS 12 *DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION*

2.2.1 Accounting policies

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognizes a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized and a deferred tax liability for all taxable temporary differences.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES ON APPLICATION OF AMENDMENTS TO HKAS 12 *DEFERRED TAX RELATED TO ASSETS AND LIABILITIES ARISING FROM A SINGLE TRANSACTION* (continued)

2.2.2 Transition and Summary of effects

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the HKAS 12 requirements to assets and liabilities arising from a single transaction as a whole and temporary differences relating to the relevant assets and liabilities were assessed on a net basis. Upon the application of the amendments, the Group assessed the relevant assets and liabilities separately. In accordance with the transition provision:

- (i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;
- (ii) the Group also, as at 1 January 2022, recognized a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance.

2.3 IMPACTS ON APPLICATION OF AMENDMENTS TO HKAS 1 AND HKFRS PRACTICE STATEMENT 2 *DISCLOSURE OF ACCOUNTING POLICIES*

In addition, the Group will apply Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies* which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial statements for the year ending 31 December 2023.

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.3 IMPACTS ON APPLICATION OF AMENDMENTS TO HKAS 1 AND HKFRS PRACTICE STATEMENT 2 *DISCLOSURE OF ACCOUNTING POLICIES* (continued)

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

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 | |
|-----------------------------------|------------------|-------------|
| | 30.6.2023 | 30.6.2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Wigs, hair accessories and others | 394,009 | 420,271 |
| High-end human hair extensions | 54,213 | 86,222 |
| Halloween products | 30,971 | 35,565 |
| | 479,193 | 542,058 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

3. REVENUE AND SEGMENT INFORMATION (continued)

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Group revenue by location of delivery to customers

| | Six months ended | |
|--|------------------|-------------|
| | 30.6.2023 | 30.6.2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| The United States of America | 429,571 | 478,683 |
| Germany | 22,008 | 20,194 |
| The United Kingdom | 10,146 | 5,198 |
| Japan | 7,544 | 13,336 |
| The People's Republic of China ("the PRC") | 6,480 | 13,756 |
| Others | 3,444 | 10,891 |
| | 479,193 | 542,058 |

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 2023

4. OTHER GAINS AND LOSSES

| | Six months ended | |
|--|-------------------------|--------------------|
| | 30.6.2023 | 30.6.2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Losses on financial assets at FVTPL, net | (206) | (2,992) |
| Net foreign exchange gains | 2,817 | 710 |
| | 2,611 | (2,282) |

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

| | Six months ended | |
|---|-------------------------|--------------------|
| | 30.6.2023 | 30.6.2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Impairment losses recognised on trade receivables under expected credit loss model, net of reversal | 4 | 47 |

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 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

6. OTHER EXPENSES

| | Six months ended | |
|------------------|------------------|-------------|
| | 30.6.2023 | 30.6.2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Donation expense | 372 | 119 |

7. DISPOSAL OF AN INVESTMENT IN A SUBSIDIARY

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 cash consideration of HK\$10,000,000 and assignment of shareholder's loan of HK\$4,997,000 as at the date of the completion of disposal. The disposal was completed on 30 April 2023 in which the Group lost control of Evergreen Ukraine Investment Limited. The transaction has resulted in the Group recognising a gain of HK\$4,414,000. The net asset of Evergreen Ukraine Investment Limited at the date of disposal were as follows:

Analysis of assets over which control was lost:

| | HK\$'000 |
|-------------------------------|----------|
| Property, plant and equipment | 9,248 |
| Cash and cash equivalents | 62 |
| Other assets | 1 |
| Net assets disposal of | 9,311 |

8. FINANCE COSTS

| | Six months ended | |
|---|------------------|-------------|
| | 30.6.2023 | 30.6.2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Interest on bank borrowings | 15,847 | 10,816 |
| Interest on lease liabilities | 324 | 409 |
| Interest on other borrowing | 516 | 289 |
| Interest on amount due to a related company | 183 | 70 |
| | 16,870 | 11,584 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

9. INCOME TAX EXPENSE

| | Six months ended | |
|---------------------------------------|------------------|-----------------|
| | 30.6.2023 | 30.6.2022 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| | (Unaudited) | (Unaudited) |
| The taxation charge comprises: | | |
| Current tax: | | |
| Hong Kong | - | - |
| Bangladesh | 552 | 1,162 |
| The PRC Enterprise Income Tax ("EIT") | - | 15 |
| Other jurisdictions | 70 | 79 |
| | 622 | 1,256 |
| Over-provision in prior year: | | |
| Hong Kong | - | (739) |
| Other jurisdictions | 76 | - |
| | 698 | 517 |
| Deferred tax: | | |
| Current period | (60) | (476) |
| | 638 | 41 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

10. PROFIT FOR THE PERIOD

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

| | Six months ended | |
|---|------------------|-------------|
| | 30.6.2023 | 30.6.2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Depreciation of property, plant and equipment | 24,184 | 25,415 |
| Capitalised in inventories | (17,197) | (19,150) |
| | 6,987 | 6,265 |
| Interest income | (929) | (73) |
| Government grants (included in other income) (Note) | – | (1,055) |

Note: During the six months ended 30 June 2022, 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.

11. DIVIDENDS

During the six months ended 30 June 2023, a final dividend of HK\$3.7 cents per share (2022: HK\$1.1 per share in respect of the year ended 31 December 2021) in respect of the year ended 31 December 2022 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\$25,385,000 (2022: HK\$7,547,000).

Subsequent to the end of the current interim period, the directors of the Group have determined that an interim dividend of HK\$4.2 cents per share amounting to HK\$28,815,000 in aggregate will be paid to owners of the Company whose names appear on the register of members of the Company on 15 September 2023.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

12. 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 | |
|--|-------------------------|--------------------|
| | 30.6.2023 | 30.6.2022 |
| | 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 | 31,621 | 26,846 |
| | | |
| | Six months ended | |
| | 30.6.2023 | 30.6.2022 |
| | '000 | '000 |
| | (Unaudited) | (Unaudited) |
| Number of shares: | | |
| Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share | 686,082 | 686,082 |
| | | |

No diluted earnings per share is presented for the six months ended 30 June 2023 and 2022 as there were no potential ordinary shares in issue for the six months ended 30 June 2023 and 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

13. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 June 2023, the Group acquired certain property, plant and equipment of HK\$13,853,000 (for the six months ended 30 June 2022: HK\$18,699,000).

In the opinion of the directors of the Company, the respective carrying amounts of the Group's industrial buildings, offices and car parks 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 nor deficit has been recognised in the interim periods ended 30 June 2023 and 2022.

During the six months ended 30 June 2023, the Group entered into a new lease agreement with lease term of 2 years and lease renewal agreement with additional lease term of 9 months to 5 years (for the six months ended 30 June 2022: entered into a new lease agreement with lease term of 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\$1,624,000 (for the six months ended 30 June 2022: HK\$595,000) and lease liabilities of HK\$1,624,000 (for the six months ended 30 June 2022: HK\$595,000).

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\$12,143,000 and transferred to investment properties. The gain on revaluation of properties at the date of transfer is accumulated in property revaluation reserve.

14. INVENTORIES

| | 30.6.2023 HK\$'000 (Unaudited) | 31.12.2022 <i>HK\$'000</i> <i>(Audited)</i> |
|------------------|---|---|
| Raw materials | 292,283 | 317,880 |
| Work in progress | 67,102 | 84,673 |
| Finished goods | 82,897 | 73,477 |
| | 442,282 | 476,030 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

15. TRADE AND OTHER RECEIVABLES

| | 30.6.2023 HK\$'000 (Unaudited) | 31.12.2022 HK\$'000 (Audited) |
|---|--------------------------------------|-------------------------------------|
| Trade receivables – contracts with customers | 223,753 | 195,639 |
| Less: allowance for credit loss | (156) | (151) |
| | 223,597 | 195,488 |
| Other receivables | 25,212 | 22,152 |
| Consideration receivable | 14,497 | – |
| Other tax receivables | 5,690 | 3,312 |
| Prepayments | 6,133 | 7,763 |
| Deposits paid to suppliers | 14,755 | 5,843 |
| Deposits for acquisition of property, plant and equipment | 4,188 | 4,231 |
| Property rental deposits | 924 | 907 |
| | 294,996 | 239,696 |
| Analysis for reporting purpose as: | | |
| Non-current assets | 5,112 | 5,138 |
| Current assets | 289,884 | 234,558 |
| | 294,996 | 239,696 |

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.

| | 30.6.2023 HK\$'000 (Unaudited) | 31.12.2022 HK\$'000 (Audited) |
|---------------|--------------------------------------|-------------------------------------|
| 0–60 days | 175,870 | 134,966 |
| 61–90 days | 30,079 | 36,769 |
| 91–120 days | 10,535 | 16,326 |
| Over 120 days | 7,113 | 7,427 |
| | 223,597 | 195,488 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

16. 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% to 4.98% (31 December 2022: 0% to 4.11%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

17. TRADE AND OTHER PAYABLES

| | 30.6.2023 HK\$'000 (Unaudited) | 31.12.2022 HK\$'000 (Audited) |
|-----------------------------|--------------------------------------|-------------------------------------|
| Trade payables | 61,684 | 35,380 |
| Accrued staff costs | 25,385 | 23,953 |
| Accruals and other payables | 8,030 | 9,991 |
| Other employee liabilities | 18,069 | 18,325 |
| | 113,168 | 87,649 |

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

| | 30.6.2023 HK\$'000 (Unaudited) | 31.12.2022 HK\$'000 (Audited) |
|-------------------------------|--------------------------------------|-------------------------------------|
| 0–60 days | 28,440 | 35,380 |
| 61–120 days | 2 | – |
| Over 120 days (<i>Note</i>) | 33,242 | – |
| | 61,684 | 35,380 |

Note: During the six months ended 30 June 2023, certain suppliers have initiated lawsuits against Evergreen Products Factory (YZ) Co. Ltd, a wholly-owned subsidiary of the Company in the PRC (the “**Subsidiary**”) to demand immediate settlement of trade payables with a carrying amount of HK\$33,242,000 plus interest for late payment. On 6 June 2023, 12 July 2023 and 8 August 2023, the decision of the second-trial instance of the People’s Court was made and the Subsidiary were required to pay the outstanding trade payables in the amount of HK\$14,834,000 and the related interest. The management are in the process of negotiation with the corresponding suppliers to settle these amounts out of court. Based on legal opinion, the directors of the Company opine that the possibility of an additional outflow of economic resources is remote. Hence, no further accrual of potential interest or other penalties was made.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

18. SECURED BANK AND OTHER BORROWINGS/BANK OVERDRAFTS

| | 30.6.2023 | 31.12.2022 |
|--|--------------------|------------|
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Bank overdrafts | 11,570 | 18,491 |
| Bank borrowings | 454,658 | 459,637 |
| Bank borrowings under supplier financing arrangement | 41,418 | 44,671 |
| Other borrowing | 27,675 | 17,455 |
| | 535,321 | 540,254 |

The Group's bank borrowings arranged at floating rates are with average effective interest rates ranging from 3.85% to 8.99% (31 December 2022: 4.30% to 8.77%) per annum. The bank borrowings arranged at fixed rate are ranging from 0.90% to 4.50% (31 December 2022: ranging from 1.19% to 4.25%) per annum.

The other borrowing carries interest at the Hong Kong Interbank Offered Rate ("HIBOR") plus 1.5% (31 December 2022: the London Interbank Offer Rate plus 2.75% and HIBOR plus 1.5%) per annum and was secured by the Group's bank deposits of approximately HK\$6,500,000 (31 December 2022: HK\$6,668,000).

As at 30 June 2023 and 31 December 2022, the Group's banking facilities were secured by:

- (a) pledge of the Group's bank deposits of approximately HK\$89,225,000 (31 December 2022: HK\$85,184,000);
- (b) leasehold land, buildings and carparks in Hong Kong of approximately HK\$88,000,000 (31 December 2022: HK\$89,394,000);
- (c) the Group's land and buildings of approximately HK\$25,290,000 (31 December 2022: HK\$28,400,000);
- (d) investment properties in the PRC of approximately HK\$8,544,000 (31 December 2022: HK\$9,251,000);
- (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 FVTPL of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

18. SECURED BANK AND OTHER BORROWINGS/BANK OVERDRAFTS (continued)

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\$418,397,000 as at 30 June 2023 (31 December 2022: HK\$264,338,000). The Group has complied with these covenants throughout the reporting period.

19. SHARE CAPITAL OF THE COMPANY

| | Number of shares | Share capital <i>US\$'000</i> |
|---|----------------------|-------------------------------------|
| Ordinary shares of US\$0.01 each | | |
| Authorised: | | |
| At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023 | 1,000,000,000 | 10,000 |
| Issued and fully paid: | | |
| At 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023 | 686,082,000 | 6,861 |

Shown in the condensed consolidated financial statement as:

| | Amount <i>HK\$'000</i> |
|--------------------------------------|---------------------------|
| At 31 December 2022 and 30 June 2023 | 53,377 |

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

20. 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 2023

20. 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. The fair value of the share awards determined based on share price at grant date amounting to HK\$76,893. The closing price of the shares of the Company immediately before the grant of awarded shares was HK\$0.73 per share on 5 July 2021.

As at 30 June 2023 and 31 December 2022, 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 2023

21. 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 categorized (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 2023

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

| Financial asset | Fair value as at | | Fair value hierarchy | Valuation technique and key inputs |
|--|---|--|----------------------|--|
| | 30.6.2023 <i>HK\$'000</i> (Unaudited) | 31.12.2022 <i>HK\$'000</i> (Audited) | | |
| Investment funds classified as financial assets at FVTPL | Assets – 3,845 | Assets – 2,659 | Level 3 | Based on the net asset values of the investment fund |
| Life insurance contracts classified as financial assets at FVTPL <i>(Note)</i> | Assets – 40,868 | Assets – 40,013 | 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 including the investment component. The directors of the Company consider the account values, which represents the surrender rate, quoted by the insurance companies as at 30 June 2023 and 31 December 2022 as an appropriate the fair value.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE OF THE GROUP'S FINANCIAL ASSETS THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS (continued)

Reconciliation of Level 3 fair value measurements

| | Investments funds HK\$'000 | Life insurance contracts HK\$'000 | Total HK\$'000 |
|--|----------------------------------|--|-------------------|
| At 1 January 2022 (audited) | 2,659 | 40,013 | 42,672 |
| Purchased | 1,680 | 567 | 2,247 |
| Change in fair value charged to profit or loss | (494) | 288 | (206) |
| At 30 June 2023 (unaudited) | 3,845 | 40,868 | 44,713 |

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.

22. MAJOR NON-CASH TRANSACTION

During the six months ended 30 June 2023, bank borrowings under supply chain financing arrangements of approximately HK\$88,667,000 (six months ended 30 June 2022: HK\$141,025,000) represent the payments to the suppliers by the relevant banks directly.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

23. CAPITAL COMMITMENT

| | 30.6.2023 | 31.12.2022 |
|--|--------------------|------------|
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Audited) |
| Contracted for but not provided in the condensed consolidated financial statements of financial position in respect of | | |
| – acquisition of land for construction | 2,211 | 608 |

24. 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 | |
|--|-------------------------|-------------|
| | 30.6.2023 | 30.6.2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Computer product and service expenses (Note) | 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.

(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 | |
|--------------------------|-------------------------|-------------|
| | 30.6.2023 | 30.6.2022 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Short-term benefits | 2,779 | 4,951 |
| Post-employment benefits | 29 | 46 |
| | 2,808 | 4,997 |

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