

# 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**

**2017**  
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 *(Vice Chairman)*  
Mr. Kwok Yau Lung Anthony *(Chief Operating Officer)*  
Ms. Jia Ziyang  
Mr. Li Yanbo

### NON-EXECUTIVE DIRECTORS

Mr. Chang Chih Lung *(Founder and Honorary Chairman)*  
Mr. Chan Lau Yui Kevin  
Mr. Chan Hoi Sing Harold

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Ip Keung Kenneth  
Mr. Sin Hendrick  
Dr. Yung Bruce Pak Keung  
Mr. Szeto Yuk Ting

## COMPANY SECRETARY

Ms. Leung Pui Yee *(HKICPA, FCCA)*

## AUTHORIZED REPRESENTATIVES

Mr. Kwok Yau Lung Anthony  
Ms. Leung Pui Yee *(HKICPA, FCCA)*

## AUDIT COMMITTEE

Mr. Sin Hendrick *(Chairman)*  
Mr. Lau Ip Keung Kenneth  
Dr. Yung Bruce Pak Keung  
Mr. Szeto Yuk Ting

## REMUNERATION COMMITTEE

Mr. Szeto Yuk Ting *(Chairman)*  
Mr. Chang Yoe Chong Felix  
Mr. Lau Ip Keung Kenneth  
Mr. Sin Hendrick  
Dr. Yung Bruce Pak Keung

## NOMINATION COMMITTEE

Mr. Chang Yoe Chong Felix *(Chairman)*  
Mr. Lau Ip Keung Kenneth  
Mr. Sin Hendrick  
Dr. Yung Bruce Pak Keung  
Mr. Szeto Yuk Ting

## AUDITOR

Deloitte Touche Tohmatsu  
*Certified Public Accountants*

## COMPLIANCE ADVISER

China Galaxy International Securities (Hong Kong)  
Co., Limited

## Corporate Information

### PRINCIPAL BANKS

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

### HONG KONG LEGAL ADVISER

Norton Rose Fulbright Hong Kong

### 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  
Level 22, Hopewell Centre  
183 Queen's Road East  
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 2017 (the “Period”), together with the comparative figures for the corresponding period in 2016.

## BUSINESS REVIEW

The Group is one of the leading global manufacturers of hair goods with approximately 4.0% market share of global synthetic hair goods manufacturer revenue in 2016. The Group designs, manufactures and sells a wide range of hair goods made with synthetic fibres and human hair, including wigs, hairpieces, braids and high-end human hair extensions, targeted at different ethnic groups and the Halloween market.

As at 30 June 2017, the Group had three production centres in China and two production centres in Bangladesh, with the three production centres in China occupying approximately 113,163 square metres of land with a total gross floor area (“GFA”) of 54,091 square metres, and the two production centres in Bangladesh occupying approximately 58,000 square metres of land with a total GFA of 89,372 square metres. In January 2017, the Group completed the construction work of the phase III production facility in Uttara Export Processing Zone in Bangladesh, which is used for the production of wigs and related products, and had commenced operation and production in January 2017.

During the Period, adhering to the Group’s strategic planning in factory deployment, the production facilities in Bangladesh (the “Bangladesh Factory”) have contributed significantly to the Group’s profitability and housed the Group’s principal manufacturing capacity.

## OUTLOOK

In order to meet the expected increase in demand for the Group’s products and to capture business opportunities arising from the growth in the hair goods industry, the Group intends to expand its production capacity and the scope of its operations in Bangladesh to include human hair sourcing, bleaching and dyeing, printing and package cartoning. The Group plans to complete the construction of four new production facilities in Bangladesh by the end of 2019. Construction of one of the Group’s new production facilities in Bangladesh (the “GT Hand Tie Facility”) is close to completion with only interior decoration in progress before its commencement of production. The GT Hand Tie Facility will be principally engaged in hand tie production. In addition, the Group also commenced construction of two other production facilities (the “Bleaching and Dyeing Complex” and the “UEPZ Printing Facility”; respectively) during the Period. The Bleaching and Dyeing Complex will be principally engaged in bleaching and dyeing while the UEPZ Printing Facility will be principally engaged in printing. Construction of the remaining production facility in Bangladesh is expected to commence by the end of 2017, which will be principally engaged in package cartoning.

## Management Discussion and Analysis

With the addition of the new facilities in Bangladesh, the Group believes that it will be able to meet additional product demand from customers, shorten the production lead time and improve its production efficiency through both consolidation of its raw material processing and hair goods production functions in Bangladesh and an increase in its production capacity. The Group also anticipates that the continued expansion of its product portfolio and customer base will lead to an increase in demand of its products and increase in its market share in the relevant markets. The Group plans to increase market share and enhance revenue sources and profitability by introducing more human hair goods to existing customers and further develop the product segment of high-end human hair extensions with the Bleaching and Dyeing Complex in Bangladesh currently under construction. Moreover, with the expansion of the Group's production capacity, the Group is able to increase penetration of Halloween products.

### FINANCIAL REVIEW

During the Period, the Group's financial results were similar compared to the same period in 2016 with improved profitability growth due to the increase in economies of scale in the Bangladesh Factory.

### REVENUE

Revenue of the Group is mainly generated from the manufacture and sale of its products. Revenue represents the amount received by the Group and the receivables for the sale of the Group's 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\$305.8 million, representing an increase of HK\$3.7 million or 1.2% as compared with HK\$302.1 million for the corresponding period in 2016. The increase was primarily due to the result of long-standing stable business relationships with the Group's existing clients and the strong overall market demand for its wigs and hair products. During the Period, market demand for the Group's wigs products continued to grow, and such demand was satisfied by the rapid increase in production capacity of the Bangladesh Factory. The Bangladesh Factory, which had consistent enhancement in its production capabilities and continued to develop steadily during the Period, remained as the Group's main revenue source and facilitated the Group's profitability growth. During the Period, the Group's revenue generated from hair goods made at the Bangladesh Factory accounted for 87.1% of the Group's total revenue as compared to 78.8% for the corresponding period in 2016.

The United States remained as the Group's principal market during the Period. Revenue from the United States accounted for 81.3% of the Group's total revenue during the Period as compared to 77.7% for the corresponding period in 2016. In terms of product segments, wigs, hair accessories and others remained as the Group's key product segment and accounted for 67.4% of its total revenue during the Period as compared to 69.2% for the corresponding period in 2016.

## Management Discussion and Analysis

*Wigs, hair accessories and others.* Revenue from wigs, hair accessories and others decreased by HK\$2.9 million, or 1.4%, from HK\$209.0 million for the six months ended 30 June 2016 to HK\$206.1 million for the Period. The decrease was primarily due to less production of products with a relatively low gross profit margin, such as braids, during the Period. Production capacity was concentrated on the other two segments during the Period.

*High-end human hair extensions.* Revenue from high-end human hair extensions increased by HK\$5.2 million, or 7.8%, from HK\$65.8 million for the six months ended 30 June 2016 to HK\$71.0 million for the Period, primarily due to slightly higher sales volume driven by increased production of the Bangladesh Factory.

*Halloween products.* Revenue from Halloween products increased slightly by HK\$1.5 million, or 5.4%, from HK\$27.2 million for the six months ended 30 June 2016 to HK\$28.7 million for the Period, primarily due to early delivery of finished goods during the Period as compared to the corresponding period in 2016.

### COST OF GOODS SOLD

The Group's cost of goods sold decreased by HK\$3.0 million, or 1.4%, from HK\$202.4 million for the six months ended 30 June 2016 to HK\$199.4 million for the Period, primarily due to absence of subcontracting fee incurred during the Period.

*Wigs, hair accessories and others.* Cost of goods sold for wigs, hair accessories and others decreased by HK\$9.1 million, or 5.9%, from HK\$152.4 million for the six months ended 30 June 2016 to HK\$143.3 million for the Period, corresponding with a decrease in sales of such products during the Period. The decrease was also attributable to a change in product mix towards production of more wigs and lace wigs during the Period, which requires less labour than the production of simple braids.

*High-end human hair extensions.* Cost of goods sold for high-end human hair extensions increased by HK\$5.2 million, or 16.0%, from HK\$32.5 million for the six months ended 30 June 2016 to HK\$37.7 million for the Period, primarily due to an increase in raw material costs of human hair as a result of using more Chinese hair for such products.

*Halloween products.* Cost of goods sold for Halloween products increased by HK\$0.9 million, or 5.3%, from HK\$17.5 million for the six months ended 30 June 2016 to HK\$18.4 million for the Period, corresponding with an increase in sales of such products during the Period.

### GROSS PROFIT

The Group continued to enjoy low labour costs from production in the Bangladesh Factory during the Period, which also contributed positively to the Group's overall improvement in gross profit. During the Period, the Group's gross profit amounted to HK\$106.3 million, representing an increase of HK\$6.6 million, or 6.6%, as compared to HK\$99.7 million for the corresponding period in 2016, primarily due to an increase in the sales of high-end human hair extensions, which had higher gross profit margin than the other two segments. During the Period, the Group's gross profit margin amounted to 34.8%, representing an increase of 1.8 percentage points from 33.0% for the corresponding period in 2016.

## Management Discussion and Analysis

*Wigs, hair accessories and others.* Gross profit for wigs, hair accessories and others increased by HK\$6.1 million, or 10.7%, from HK\$56.6 million for the six months ended 30 June 2016 to HK\$62.7 million for the Period. Gross profit margin for wigs, hair accessories and others increased slightly from 27.1% for the six months ended 30 June 2016 to 30.4% for the Period, primarily due to a change in product mix towards production of more wigs and lace wigs during the Period, which requires less labour than the production of simple braids.

*High-end human hair extensions.* Gross profit for high-end human hair extensions decreased by HK\$36,000, or 0.1%, from HK\$33.3 million for the six months ended 30 June 2016 to HK\$33.3 million for the Period. Gross profit margin for high-end human hair extensions decreased from 50.6% for the six months ended 30 June 2016 to 46.9% for the Period, primarily due to an increase in the sales of high-end human hair extensions under other brands during the Period, which recorded lower profit margin than similar products sold under the Group's own brands.

*Halloween products.* Gross profit for Halloween products increased by HK\$0.5 million, or 5.5%, from HK\$9.8 million for the six months ended 30 June 2016 to HK\$10.3 million for the Period, which is in line with an increase in revenue from Halloween products during the Period. Gross profit margin for Halloween products for the Period had remained stable as compared to the corresponding period in 2016, having slightly increased from 35.8% for the six months ended 30 June 2016 to 35.9% for the Period.

### OTHER INCOME

Other income decreased by HK\$1.1 million, or 77.2%, from HK\$1.5 million for the six months ended 30 June 2016 to HK\$0.3 million for the Period, primarily due to a decrease in interest earned from certain key-man life insurance contracts for one of the Directors.

### OTHER GAINS AND LOSSES

Other gains and losses decreased by HK\$1.4 million, or 58.6%, from a loss of HK\$2.3 million for the six months ended 30 June 2016 to a loss of HK\$1.0 million for the Period, primarily due to a gain from changes in fair value of the Group's foreign currency forward contracts and absence of loss on disposal of available-for-sales investments during the Period.

### CHANGE IN FAIR VALUE OF REDEEMABLE CONVERTIBLE PREFERRED SHARES

As at 30 June 2017, there were 36,908,517 series A redeemable and convertible preferred shares of par value of US\$0.01 each in the share capital of the Company (the "Preferred Shares"). The Group did not record any change in fair value of redeemable convertible preferred shares for the six months ended 30 June 2016, but recognised a gain from change in fair value of redeemable convertible preferred shares of HK\$16.8 million during the Period, primarily due to change in fair value of the Preferred Shares in the second half of 2016.



## Management Discussion and Analysis

All the Preferred Shares were converted, on a one-to-one basis, into 36,908,517 ordinary shares of the Company immediately before the completion of the global offering of the Company in July 2017.

### DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses increased by HK\$0.4 million, or 6.3%, from HK\$6.4 million for the six months ended 30 June 2016 to HK\$6.8 million for the Period, primarily due to an increase in advertising and commission expenses to boost sales during the Period.

### ADMINISTRATIVE EXPENSES

Administrative expenses increased by HK\$4.9 million, or 11.5%, from HK\$43.1 million for the six months ended 30 June 2016 to HK\$48.0 million for the Period, primarily due to an increase in staff salary and corresponding pension payments during the Period especially for administrative staff in China.

### OTHER EXPENSES

Other expenses increased by HK\$7.4 million, or 127.5%, from HK\$5.8 million for the six months ended 30 June 2016 to HK\$13.2 million for the Period, primarily due to an increase in listing expenses from HK\$4.9 million for the six months ended 30 June 2016 to HK\$11.5 million for the Period and an increase in the amount of donation made by the Group from HK\$0.9 million for the six months ended 30 June 2016 to HK\$1.6 million for the Period.

### FINANCE COSTS

Finance costs increased by HK\$0.6 million, or 8.4%, from HK\$7.1 million for the six months ended 30 June 2016 to HK\$7.7 million for the Period. During the Period, the Group has capitalised interest on bank borrowings of HK\$2.9 million as the cost of qualifying assets (30 June 2016: Nil). Without such capitalisation, the increase in finance costs, as compared to the corresponding period in 2016, was HK\$3.5 million or 49.1% for the Period, primarily due to an increase in bank borrowings.

### TAXATION

Income tax expense of the Group decreased by HK\$1.0 million, or 87.5%, from HK\$1.2 million for the six months ended 30 June 2016 to HK\$0.2 million for the Period, primarily due to provision for the transfer pricing exposure of the Group's subsidiaries established in the People's Republic of China (the "PRC") in prior years. In 2016, the Group commissioned a transfer pricing review for its PRC subsidiaries for the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016. Based on the results of the transfer pricing review, the Group made a tax provision of approximately HK\$1.3 million for PRC enterprise income tax for the six months ended 30 June 2016, representing the total amount of tax provision in relation to the transfer pricing exposure of the Group's PRC subsidiaries for the years ended 31 December 2013, 2014, 2015 and the six months ended 30 June 2016. Income tax expense was net off against the reversal of deferred taxation in the amount of HK\$0.1 million for both the six months ended 30 June 2016 and the Period.

# Management Discussion and Analysis

## NET PROFIT

The Group's net profit for the Period was HK\$46.7 million, representing an increase of HK\$11.3 million, or 32.2%, as compared to HK\$35.4 million for the corresponding period in 2016, primarily attributable to a gain of HK\$16.8 million from change in fair value of redeemable convertible preferred shares (30 June 2016: Nil) and net off against the listing expenses of HK\$11.5 million (30 June 2016: HK\$4.9 million) as mentioned above.

Without taking into account of the listing expenses of HK\$11.5 million and the change in fair value of redeemable convertible preferred shares of HK\$16.8 million recognised during the Period, the Group's adjusted net profit for the Period was HK\$41.4 million, representing an increase of HK\$1.2 million, or 3.0%, as compared with HK\$40.2 million for the corresponding period in 2016.

## LIQUIDITY AND FINANCIAL RESOURCES

The Group's bank balances, pledged bank deposits and cash increased by 30.8% from HK\$96.3 million as at 31 December 2016 to HK\$126.0 million as at 30 June 2017. The significant increase in cash and bank balances for the six months ended 30 June 2017 was primarily due to increase in borrowings for the preparation for the upcoming construction payments and operating expense such as salary and utilities payment with regards to the Bangladesh Factory in the coming months.

## BORROWINGS AND GEARING RATIO

As at 30 June 2017, the Group's banking facilities amounted to HK\$687.7 million, of which HK\$70.2 million remained unutilised. As at 30 June 2017, the gearing ratio of the Group, which is equivalent to total interest-bearing debt (including secured bank borrowings, obligations under finance leases and the Preferred Shares) divided by total equity, of the Group was 409.7% as compared to 495.4% as at 31 December 2016. Assuming the Preferred Shares had been converted into ordinary shares of the Company as at 31 December 2016, the gearing ratio as at 30 June 2017 and 31 December 2016 would have been 160.3% and 144.6%, respectively, on the basis that the Group's total interest-bearing debt would have decreased by HK\$188.4 million and HK\$205.3 million, respectively, while its total equity would have increased by the same amount. Such amounts represent the fair value and the carrying amount of the Preferred Shares as at 30 June 2017 and 31 December 2016, respectively. 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\$34.5 million (including interest on bank borrowings of HK\$2.9 million capitalised as the cost of qualifying assets) on additions to fixed assets as compared to HK\$35.4 million for the corresponding period in 2016 mainly to further upgrade and expand its manufacturing capabilities in Bangladesh. As at 30 June 2017, the Group had authorised a capital commitment of HK\$0.8 million in respect of the purchase of printing equipment and the construction of factories in Bangladesh.

# Management Discussion and Analysis

## 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 China 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 increased production of the Group in Bangladesh (revenue contributed by the Bangladesh Factory having increased to 87.1% during the Period (30 June 2016: 78.8%)) 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 had certain 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 2016 and 2017, the Group did not have any material contingent liabilities.

## PLEDGE OF ASSETS

As at 30 June 2017, the Group's banking facilities were secured by:

- (a) a pledge of the Group's bank deposits of approximately HK\$77.9 million;
- (b) safe custody of title deeds for the Group's office buildings of approximately HK\$3.6 million, and prepaid lease payments in the PRC of approximately HK\$1.7 million;
- (c) unlimited guarantees provided by one of the Directors and the Group's fellow subsidiaries;
- (d) a subordination agreement which provides the amounts due to Directors advanced by them to the Company would be subordinated to the advance from a bank;
- (e) a negative pledge on the assets of the Group's subsidiaries in the PRC and Bangladesh;
- (f) insurance contracts entered for one of the Directors; and
- (g) the Group's land and buildings in Hong Kong.

After the Period and upon the Listing Date (as defined below), the unlimited guarantees provided by one of the Directors and the Group's subsidiaries as referred to in (c) above and the subordination agreement as referred to in (d) above were released and replaced by corporate guarantees of the Group to relevant banks.

## Management Discussion and Analysis

### EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2017, the Group employed a total of (i) 14,499 employees in Bangladesh, as compared to 14,097 as at 30 June 2016, (ii) 770 employees in China, as compared to 826 as at 30 June 2016, (iii) 76 employees in Hong Kong, as compared to 73 as at 30 June 2016, and (iv) 8 employees in Japan and the United States, as compared to 7 as at 30 June 2016.

Total employee expenditures during the Period amounted to HK\$100.0 million as compared to HK\$88.2 million for the corresponding period in 2016. 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.

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

Save as disclosed in this report, (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 the date of this report.

### IMPORTANT EVENTS AFTER THE END OF THE PERIOD

#### THE LISTING

After the Period, on 12 July 2017 (the "Listing Date"), ordinary shares of US\$0.01 each (the "Shares") in the share capital of the Company were successfully listed (the "Listing") on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), which marked an important milestone in the strategic development of the Group. The Group received unaudited net proceeds from the initial public offering of around HK\$206.0 million on the Listing Date, further enhancing the Group's financial resources and capital strengths to pursue its business developments and contributed positively to the Group's gearing ratio. The Listing is expected to provide a more effective fund-raising platform to equip the Group with stronger financial capability and flexibility to timely capture greater opportunities for its sustainable business development and expansion in the long term. The Group will continue to strengthen its core business and explore new opportunities in order to maximise the value of the Company and its shareholders.

# Management Discussion and Analysis

## UPDATES ON RECTIFICATION PROGRESS

As disclosed in the prospectus of the Company dated 29 June 2017, certain PRC subsidiaries of the Group did not make any or full social insurance payments and/or housing provident fund contributions for certain of their employees during the years ended 31 December 2014, 2015 and 2016. As a result of rectification measures taken by the Group, all of the Group's subsidiaries in the PRC have been paying the social insurance and housing provident fund for all of their employees in the full amount since February or March 2017, except that Shenzhen Evergreen Hair Products Co., Ltd.\* (深圳訓修髮製品有限公司) ("Shenzhen Evergreen") and Evergreen Products Factory (SZ) Co., Ltd.\* (訓修實業(深圳)有限公司) ("Evergreen Factory (SZ)"), were expected to only be able to pay the housing provident fund in full amounts in July 2017 at the earliest, due to the fact that pursuant to the relevant PRC laws and regulations, the local housing authority in Shenzhen only allows adjustment to the base number of contribution once within one housing provident fund year (that is, from 1 July each year to 30 June next year) for the employees involved, and as Shenzhen Evergreen and Evergreen Factory (SZ) had adjusted the base number of housing provident funds for their employees in August 2016, they would only be able to adjust the base number of contribution of housing provident fund for their employees in July 2017 at the earliest. For details, please refer to the section headed "Business – Licences, Regulatory Approvals and Compliance – Non-compliance" in the prospectus of the Company dated 29 June 2017.

In July 2017, Shenzhen Evergreen and Evergreen Factory (SZ) made such adjustments and have been paying full amount of social insurance and housing provident fund since then.

\* For identification purposes only

## Management Discussion and Analysis

### USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Shares were listed on the Stock Exchange on the Listing Date. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the initial public offering of approximately HK\$206.0 million.

As at the date of this report, the Group had partially utilised such proceeds in the manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 29 June 2017:

Use of proceeds	Net proceeds <i>HK\$ million</i>	Utilised as at the date of this report <i>HK\$ million</i>
Construction of additional production facilities in the Group's Bangladesh production base	101.4	33.2
Relocation of the Group's research and display centre and sales office in Dongguan, Guangdong	20.6	–
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	22.2	1.0
Repayment of outstanding trust receipt loans	41.2	41.2
Working capital and general corporate purposes	20.6	20.6

The unutilised net proceeds have been placed with licensed banks as interest-bearing deposits.

### INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the Period (30 June 2016: Nil).

# Corporate Governance and Other Information

## COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company was incorporated in the Cayman Islands on 19 May 2016 as an exempted company with limited liability, and the Shares were listed on the Main Board of the Stock Exchange on the Listing Date.

As the Shares were not yet listed on the Stock Exchange as of 30 June 2017, the principles and code provisions of 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”) were not applicable to the Company during the Period.

The Company has adopted the principles and code provisions of the CG Code as the basis of the Company’s corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date.

Pursuant to code provision A.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 on the Board and this structure will enable the Company to make and implement decisions promptly and effectively.

Save as disclosed above, in the opinion of the Board, the Company has complied with the code provisions in the CG Code throughout the period from the Listing Date to the date of this report.

## COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “Model Code”) 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 from the Listing Date to the date of this report.

## Corporate Governance and Other Information

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

As the Shares were listed on the Stock Exchange on the Listing Date, the Company was not required to keep any register under the provisions of Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance ("SFO") and section 352 of the SFO as at 30 June 2017.

As at the date of this report, 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 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>(3)</sup>
Mr. Chang Chih Lung	Beneficiary of a trust/Founder of a discretionary trust	336,903,803 <sup>(1)</sup>	54.78%
Mr. Chang Yoe Chong, Felix	(i) Beneficiary of a trust/Founder of a discretionary trust	336,903,803 <sup>(1)</sup>	54.78%
	(ii) Beneficial owner	8,328,600 <sup>(2)</sup>	1.36%
	Total	345,232,403	56.14%



## 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 Mr. Chang Chih Lung, 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 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 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) Based on a total of 615,000,000 issued Shares as at the date of this report.

### (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 Chih Lung <sup>(3)</sup>	Evergreen Holdings <sup>(1)</sup>	Founder of a discretionary trust/ Beneficiary of a trust	20,000	100%
Mr. Chang Chih Lung <sup>(3)</sup>	Golden Evergreen <sup>(1)</sup>	Founder of a discretionary trust/ Beneficiary of a trust	100	100%
Mr. Chang Chih Lung <sup>(3)</sup>	CLC Investment <sup>(1)</sup>	Founder of a discretionary trust	2	100%
Mr. Chang Chih Lung <sup>(3)</sup>	CLC Management <sup>(1)</sup>	Founder of a discretionary trust	2	100%
Mr. Chang Chih Lung <sup>(3)</sup>	Evergreen Group Limited <sup>(2)</sup>	Founder of a discretionary trust/ Beneficiary of a trust	100,000,000	73.04%
Mr. Chang Chih Lung <sup>(3)</sup>	Ventures Day Investments Limited <sup>(2)</sup>	Founder of a discretionary trust/ Beneficiary of a trust	100	100%
Mr. Chang Chih Lung <sup>(3)</sup>	Acemaster Ventures Limited <sup>(2)</sup>	Founder of a discretionary trust/ Beneficiary of a 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 Chih Lung <sup>(3)</sup>	Cowden Ventures Limited <sup>(2)</sup>	Founder of a discretionary trust/ Beneficiary of a trust	1	100%
Mr. Chang Chih Lung <sup>(3)</sup>	Fast Track Ventures Limited <sup>(2)</sup>	Founder of a discretionary trust/ Beneficiary of a trust	1	100%
Mr. Chang Chih Lung <sup>(3)</sup>	Golden Image Ventures Limited <sup>(2)</sup>	Founder of a discretionary trust/ Beneficiary of a trust	1	100%
Mr. Chang Chih Lung <sup>(3)</sup>	Market Focus Ventures Limited <sup>(2)</sup>	Founder of a discretionary trust/ Beneficiary of a trust	1	100%
Mr. Chang Chih Lung <sup>(3)</sup>	Punchline Ventures Limited <sup>(2)</sup>	Founder of a discretionary trust/ Beneficiary of a trust	1	100%
Mr. Chang Chih Lung <sup>(3)</sup>	Smart Plus Ventures Limited <sup>(2)</sup>	Founder of a discretionary trust/ Beneficiary of a trust	1	100%
Mr. Chang Yoe Chong Felix <sup>(3)</sup>	Evergreen Holdings <sup>(1)</sup>	Beneficiary of a trust/ Founder of a discretionary trust	20,000	100%
Mr. Chang Yoe Chong Felix <sup>(3)</sup>	Golden Evergreen <sup>(1)</sup>	Beneficiary of a trust/ Founder of a discretionary trust	100	100%
Mr. Chang Yoe Chong Felix <sup>(3)</sup>	CLC Investment <sup>(1)</sup>	Beneficiary of a trust	2	100%
Mr. Chang Yoe Chong Felix <sup>(3)</sup>	CLC Management <sup>(1)</sup>	Beneficiary of a trust	2	100%
Mr. Chang Yoe Chong Felix <sup>(3)</sup>	Evergreen Group Limited <sup>(2)</sup>	Beneficiary of a trust/ Founder of a discretionary trust	100,000,000	73.04%
Mr. Chang Yoe Chong Felix <sup>(3)</sup>	Ventures Day Investments Limited <sup>(2)</sup>	Beneficiary of a trust/ Founder of a discretionary trust	100	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 <sup>(3)</sup>	Acemaster Ventures Limited <sup>(2)</sup>	Beneficiary of a trust/ Founder of a discretionary trust	1	100%
Mr. Chang Yoe Chong Felix <sup>(3)</sup>	Cowden Ventures Limited <sup>(2)</sup>	Beneficiary of a trust/ Founder of a discretionary trust	1	100%
Mr. Chang Yoe Chong Felix <sup>(3)</sup>	Fast Track Ventures Limited <sup>(2)</sup>	Beneficiary of a trust/ Founder of a discretionary trust	1	100%
Mr. Chang Yoe Chong Felix <sup>(3)</sup>	Golden Image Ventures Limited <sup>(2)</sup>	Beneficiary of a trust/ Founder of a discretionary trust	1	100%
Mr. Chang Yoe Chong Felix <sup>(3)</sup>	Market Focus Ventures Limited <sup>(2)</sup>	Beneficiary of a trust/ Founder of a discretionary trust	1	100%
Mr. Chang Yoe Chong Felix <sup>(3)</sup>	Punchline Ventures Limited <sup>(2)</sup>	Beneficiary of a trust/ Founder of a discretionary trust	1	100%
Mr. Chang Yoe Chong Felix <sup>(3)</sup>	Smart Plus Ventures Limited <sup>(2)</sup>	Beneficiary of a trust/ Founder of a discretionary trust	1	100%

*Notes:*

- (1) Evergreen Holdings, a direct wholly owned subsidiary of Golden Evergreen, holds more than 50% 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.

## Corporate Governance and Other Information

- (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 Mr. Chang Chih Lung 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 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, each of Mr. Chang Chih Lung and Mr. Chang Yoe Chong Felix is deemed to be interested in the above associated corporations of the Company under the SFO.

Save as disclosed above and to the best knowledge of the Directors, as at the date of this report, 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.

## Corporate Governance and Other Information

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

As the Shares were listed on the Stock Exchange on the Listing Date, the Company was not required to keep any register under the provisions of Divisions 2 and 3 of Part XV of the SFO as at 30 June 2017.

So far as the Directors are aware, as at the date of this report, 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:

#### LONG POSITION IN THE SHARES OF THE COMPANY

Name of shareholder	Capacity/nature of interest	Number of Shares	Approximately percentage of issued share capital of our Company <sup>(4)</sup>
Evergreen Holdings	Beneficial owner	336,903,803	54.78%
Golden Evergreen <sup>(1)</sup>	Interest in controlled corporation	336,903,803	54.78%
FC Investment <sup>(1)</sup>	Interest in controlled corporation	336,903,803	54.78%
FC Management <sup>(1)</sup>	Interest in controlled corporation	336,903,803	54.78%
CLC Investment <sup>(1)</sup>	Interest in controlled corporation	336,903,803	54.78%
CLC Management <sup>(1)</sup>	Interest in controlled corporation	336,903,803	54.78%
HSBC International Trustee Limited <sup>(1)</sup>	Trustee of a trust	336,903,803	54.78%
Ms. Wong Hor Yan <sup>(4)</sup>	Interest of spouse	345,232,403	56.14%
SEAVI Advent Investments Ltd. ("SEAVI Advent") <sup>(5)</sup>	Beneficial owner	110,746,197	18.01%
SEAVI Advent Equity V (A) Ltd <sup>(5)</sup>	Interest in controlled corporation	110,746,197	18.01%

## 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. Accordingly, each of Golden Evergreen, FC Investment, FC Management, CLC Investment, CLC Management and HSBC International Trustee Limited 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, which is therefore deemed to be interested in the Shares held by SEAVI Advent under the SFO.
- (4) Based on a total of 615,000,000 issued Shares as at the date of this report.

Save as disclosed above and to the best knowledge of the Directors, as at the date of this report, 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 in the Company.

From the Listing Date up to the date of this report, no option has been granted or agreed to be granted under the share option scheme.

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

During the Period, since the Shares has not yet been listed on the Stock Exchange, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

## Corporate Governance and Other Information

### CHANGES IN INFORMATION OF DIRECTORS

Changes in information of the Directors since the publication of the prospectus of the Company dated 29 June 2017, which are required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules, are set out below:

- Mr. Lau Ip Keung Kenneth, an independent non-executive Director, was appointed as a non-official member of the Executive Council of the Hong Kong Special Administrative Region with effect from 1 July 2017.
- The annual amount of the director's emolument of Mr. Chan Kwok Keung, an executive Director, has been increased from HK\$986,000 to HK\$1,058,000 with effect from 12 July 2017.
- The annual amount of the director's emolument of Mr. Kwok Yau Lung Anthony, an executive Director, has been increased from HK\$682,000 to HK\$754,000 with effect from 12 July 2017.

### 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, 28 August 2017

# Report on Review of Condensed Consolidated Financial Statements

**Deloitte.**

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

(incorporated in the Cayman Islands with limited liability)

## INTRODUCTION

We have reviewed the condensed consolidated financial statements of Evergreen Products Group Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) set out on pages 25 to 50, which comprises the condensed consolidated statement of financial position as of 30 June 2017 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 (“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” (“HKSRE 2410”) 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 HKAS 34.

## OTHER MATTER

The comparative 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 ended 30 June 2016 and the relevant explanatory notes disclosed in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

### **Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

28 August 2017

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

For the six months ended 30 June 2017

	Notes	Six months ended	
		30.6.2017 HK\$'000 (Unaudited)	30.6.2016 HK\$'000 (Unaudited)
Revenue	4	305,758	302,078
Cost of goods sold		(199,447)	(202,353)
Gross profit		106,311	99,725
Other income		340	1,489
Other gains and losses	5	(958)	(2,316)
Distribution and selling expenses		(6,759)	(6,358)
Administrative expenses		(48,009)	(43,073)
Other expenses	6	(13,153)	(5,782)
Change in fair value of redeemable convertible preferred shares	19	16,848	–
Finance costs	7	(7,722)	(7,126)
Profit before taxation		46,898	36,559
Taxation	8	(150)	(1,196)
Profit for the period	9	46,748	35,363
Other comprehensive income (expense) for the period:			
<b>Items that will not be reclassified subsequently to profit or loss:</b>			
Surplus on revaluation of land and buildings		5,762	1,016
Deferred tax arising from revaluation of land and buildings		(433)	(84)
		5,329	932
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Loss on fair value change of available-for-sales investments		–	(573)
Reclassification adjustments relating to disposal of available-for-sale investments		–	1,275
Exchange differences arising from translation of foreign operations		1,491	(2,336)
		1,491	(1,634)
Other comprehensive income (expense) for the period, net of income tax		6,820	(702)
Total comprehensive income for the period		53,568	34,661

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

For the six months ended 30 June 2017

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30.6.2017</b> <i>HK\$'000</i> <b>(Unaudited)</b>	30.6.2016 <i>HK\$'000</i> (Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		<b>47,213</b>	35,363
Non-controlling interests		<b>(465)</b>	–
		<b>46,748</b>	35,363
Total comprehensive income (expense) attributable to:			
Owners of the Company		<b>54,084</b>	34,661
Non-controlling interests		<b>(516)</b>	–
		<b>53,568</b>	34,661
Earnings per share (HK\$)	<i>11</i>		
– basic		<b>0.14</b>	0.11
– diluted		<b>0.07</b>	0.10

# Condensed Consolidated Statement of Financial Position

At 30 June 2017

	<i>Notes</i>	<b>30.6.2017</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31.12.2016 <i>HK\$'000</i> <b>(Audited)</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	12	<b>329,616</b>	305,014
Prepaid lease payments		<b>19,337</b>	18,809
Deposits and prepayments for life insurance policies		<b>23,172</b>	29,986
		<b>372,125</b>	353,809
<b>CURRENT ASSETS</b>			
Inventories	13	<b>335,734</b>	317,078
Trade and other receivables	14	<b>224,613</b>	191,199
Prepaid lease payments		<b>349</b>	336
Amounts due from fellow subsidiaries		–	824
Amounts due from directors		–	24,079
Tax recoverable		<b>930</b>	882
Pledged bank deposits	15	<b>77,901</b>	35,912
Bank balances and cash		<b>48,049</b>	60,377
		<b>687,576</b>	630,687
<b>CURRENT LIABILITIES</b>			
Trade and other payables	16	<b>50,223</b>	54,345
Amount due to a related company		–	46,644
Amount due to former ultimate holding company		–	8,587
Amount due to a former shareholder		–	602
Amount due to a preferred shareholder		–	1,234
Amount due to immediate holding company		–	11,145
Tax payable		<b>3,128</b>	4,026
Secured bank borrowings	17	<b>617,491</b>	503,656
Obligations under finance leases		–	165
Derivative liabilities		<b>733</b>	2,985
		<b>671,575</b>	633,389
<b>NET CURRENT ASSETS (LIABILITIES)</b>		<b>16,001</b>	(2,702)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>388,126</b>	351,107

## Condensed Consolidated Statement of Financial Position

At 30 June 2017

	<i>Notes</i>	<b>30.6.2017</b> <i>HK\$'000</i> <b>(Unaudited)</b>	31.12.2016 <i>HK\$'000</i> (Audited)
<b>CAPITAL AND RESERVES</b>			
Share capital	<i>18</i>	<b>7,780</b>	7,780
Reserves		<b>189,321</b>	135,237
<hr/>			
Equity attributable to owners of the Company		<b>197,101</b>	143,017
Non-controlling interests		<b>(416)</b>	100
<hr/>			
<b>TOTAL EQUITY</b>		<b>196,685</b>	143,117
<hr/>			
<b>NON-CURRENT LIABILITIES</b>			
Deferred taxation		<b>3,033</b>	2,734
Redeemable convertible preferred shares	<i>19</i>	<b>188,408</b>	205,256
<hr/>			
		<b>191,441</b>	207,990
<hr/>			
		<b>388,126</b>	351,107
<hr/>			

# Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2017

	Share capital HK\$'000	Capital reserve HK\$'000 (note a)	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Other reserves HK\$'000 (note b)	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1 January 2016 (audited)	3,000	116,700	59,510	(702)	(76)	(7,439)	156,438	327,431	913	328,344
Profit for the period	-	-	-	-	-	-	35,363	35,363	-	35,363
Surplus on revaluation of land and buildings	-	-	1,016	-	-	-	-	1,016	-	1,016
Deferred tax arising from revaluation of land and buildings	-	-	(84)	-	-	-	-	(84)	-	(84)
Loss on fair value change of available-for-sale investments	-	-	-	(573)	-	-	-	(573)	-	(573)
Reclassification adjustment relating to disposal of available-for-sale investments	-	-	-	1,275	-	-	-	1,275	-	1,275
Exchange differences arising from translation of foreign operations	-	-	-	-	-	(2,336)	-	(2,336)	-	(2,336)
Total comprehensive income for the period	-	-	932	702	-	(2,336)	35,363	34,661	-	34,661
Arising from the group reorganisation	4,780	(170,692)	-	-	-	-	-	(165,912)	-	(165,912)
Dividend declared	-	-	-	-	-	-	(50,000)	(50,000)	-	(50,000)
Acquisition of additional interest in a subsidiary	-	-	-	-	-	-	-	-	(913)	(913)
At 30 June 2016 (unaudited)	7,780	(53,992)	60,442	-	(76)	(9,775)	141,801	146,180	-	146,180
At 1 January 2017 (audited)	7,780	(53,992)	64,312	-	(76)	(14,788)	139,781	143,017	100	143,117
Profit (loss) for the period	-	-	-	-	-	-	47,213	47,213	(465)	46,748
Surplus on revaluation of land and buildings	-	-	5,762	-	-	-	-	5,762	-	5,762
Deferred tax arising from revaluation of land and buildings	-	-	(433)	-	-	-	-	(433)	-	(433)
Exchange differences arising from translation of foreign operations	-	-	-	-	-	1,542	-	1,542	(51)	1,491
Total comprehensive income (expense) for the period	-	-	5,329	-	-	1,542	47,213	54,084	(516)	53,568
At 30 June 2017 (unaudited)	7,780	(53,992)	69,641	-	(76)	(13,246)	186,994	197,101	(416)	196,685

## Notes:

- Capital reserve represents (i) the contribution from an intermediate holding company to Evergreen Products Factory Limited ("Evergreen Factory"); and (ii) the difference between the nominal value of the share capital of Evergreen Factory at the date on which it was acquired by Evergreen Enterprise Investment Limited and the deemed consideration settled by issuance of 99,999,999 ordinary shares and 36,908,517 Series A redeemable convertible preferred shares of the Company pursuant to the group reorganisation.
- Other reserve represented the effect of change in ownership in a subsidiary when there was no change in control.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2017

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in) from operating activities	<b>(8,451)</b>	10,985
Net cash used in investing activities		
Interest received	<b>63</b>	41
Purchase of property, plant and equipment	<b>(31,550)</b>	(35,420)
Placement of pledged bank deposits	<b>(41,989)</b>	(6,105)
Proceeds on disposal of available-for-sale investments	<b>-</b>	2,386
Proceeds from disposal of property, plant and equipment	<b>(89)</b>	285
Dividend received	<b>-</b>	20
Receipts from withdrawal of insurance contracts	<b>6,814</b>	-
Repayment from directors	<b>24,079</b>	7,646
Repayment from fellow subsidiaries	<b>824</b>	1,475
Advance to directors	<b>-</b>	(20,410)
Additions to receivables arising from insurance contracts	<b>-</b>	(11,701)
	<b>(41,848)</b>	(61,783)
Net cash from financing activities		
New mortgage and short term loans raised	<b>318,135</b>	143,000
Increase (decrease) in trust receipt loan and discounted bills	<b>116,286</b>	(2,519)
Repayment of mortgage and short term loans	<b>(320,585)</b>	(21,481)
Dividend paid	<b>-</b>	(30,511)
Interest paid	<b>(9,846)</b>	(7,068)
Repayment to a related company	<b>(46,644)</b>	(11,797)
Advance from a related company	<b>-</b>	236
Repayment to former ultimate holding company	<b>(8,587)</b>	-
Repayment to a former shareholder	<b>(602)</b>	-
Repayment to immediate holding company	<b>(11,145)</b>	-
Interest paid to preferred shareholder	<b>(2,012)</b>	-
Repayment of finance lease	<b>(165)</b>	(247)
	<b>34,835</b>	69,613
Net (decrease) increase in cash and cash equivalents	<b>(15,464)</b>	18,815
Cash and cash equivalents at beginning of the period	<b>60,377</b>	41,474
Effect of foreign exchange rate changes	<b>3,136</b>	(3,161)
Cash and cash equivalents at end of the period, represented by bank balances and cash	<b>48,049</b>	57,128

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” (“HKAS 34”), issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as with 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 Company was incorporated in the Cayman Islands with limited liability and its shares have been listed on the Stock Exchange with effect from 12 July 2017.

## 2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

In preparation of the listing of the Company’s shares on the Main Board of the Stock Exchange, the companies comprising the Company and its subsidiaries (hereinafter collectively refer as the “Group”) underwent the group reorganisation as described below.

The principal activity of the Group is the manufacturing and trading of hair products. The Company’s ultimate holding company is Golden Evergreen Limited (“GEL”), a company incorporated in the British Virgin Islands (“BVI”). GEL is wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and CLC Family Trust (collectively, the “Trust”). The beneficiaries and settlor of the Trust, including Mr. Chang Chih Lung, Mr. Chang Yoe Chong Felix and their family members, is considered as the controlling shareholder of the Group (“Controlling Shareholder”). The group reorganisation mainly involved inserting new holding entities, including the Company, between Evergreen Products Factory Limited (“Evergreen Factory”) and its shareholders and has not resulted in any change of economic substances. Accordingly, the condensed consolidated financial statements have been prepared on the basis as if the current group structure had been in existence throughout the six months period ended 30 June 2016. The Company became the holding company of the companies now comprising the Group on 22 June 2016. Major steps of the group reorganisation include the following:

Step 1: On 19 May 2016, the Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability with an authorised share capital of US\$50,000 divided into 5,000,000 shares at par value of US\$0.01 each. On 10 June 2016, the one share allotted to the first subscriber was transferred to Evergreen Enterprise Holdings Limited (the “HoldCo”), immediate holding company.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

Step 2: On 30 May 2016, Evergreen Enterprise Investment Limited (“EEIL”) was incorporated in the BVI as a BVI business company with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares at par value of US\$1 each. On 30 May 2016, the one ordinary share allotted to the first subscriber was transferred to the Company.

Step 3: On 22 June 2016, HoldCo approved that (i) the authorised share capital of the Company be increased to US\$5,000,000 divided into 500,000,000 shares of par value of US\$0.01 each; and (ii) the authorised share capital be re-designated so that 400,000,000 shares in the share capital of the Company, including the one issued share, be re-designated to 400,000,000 ordinary shares and 100,000,000 shares in the share capital of the Company be re-designated to 100,000,000 redeemable convertible preferred shares.

On 22 June 2016, Evergreen Group Limited (“EGL”), a company controlled by the Controlling Shareholder, transferred 30,000 ordinary shares of Evergreen Factory, representing 100% of the shareholding in Evergreen Factory, to EEIL. As consideration, 99,999,999 ordinary shares and 36,908,517 series A redeemable convertible preferred shares of the Company were issued to EGL. On 22 June 2016, the Company became the holding company of the companies now comprising the Group.

Step 4: Pursuant to a reorganisation deed dated 29 June 2016 entered into between EGL, HoldCo, Mr. Chang Chih Lung, Mr. Chang Yoe Chong Felix and SEAVI Advent Investments Ltd. (the “Investor”), EGL distributed 99,999,999 ordinary shares and 36,908,517 series A redeemable convertible preferred shares of the Company in specie to HoldCo and the Investor, respectively.

The condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period ended 30 June 2016 include the results, changes in equity and cash flows of the companies comprising the Group as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout that reporting period or since the respective dates of incorporation, where this is a shorter period except for those subsidiaries being disposed of during that reporting period that the results of which have been accounted for until the effective date of disposal.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 3. 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. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's consolidated financial statements for each of the three years ended 31 December 2016 underlying the preparation of financial information in the accountants' report which have been included in Appendix I to the prospectus of the Company dated 29 June 2017.

In the current reporting period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure initiative
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	As part of the annual improvements to HKFRSs 2014 – 2016 cycle

The application of above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements, but additional disclosures about changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes on application of amendments to HKAS 7 will be provided in the consolidated financial statements for the year ending 31 December 2017.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 4. REVENUE AND SEGMENT INFORMATION

The chief executive officer of the Group, being the chief operating decision maker (“CODM”), regularly reviews revenue analysis by types of products, including wigs, hair accessories and other, high-end human hair extensions and halloween products when making decisions about allocating resources and assessing performance of the Group. Other than revenue analysis, the CODM reviews the profit for the period of the Group as a whole to make decisions about performance assessment and resources allocation. The operation of the Group constitutes one single operating segment under HKFRS 8 “Operating segments” and accordingly, no separate segment information is prepared.

No analysis of segment assets and segment liabilities is presented as the Group’ CODM does not regularly review such information.

An analysis of the Group’s revenue by products for the period is as follows:

	Six months ended	
	30.6.2017	30.6.2016
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Wigs, hair accessories and other	206,083	209,021
High-end human hair extensions	70,999	65,839
Halloween products	28,676	27,218
	<b>305,758</b>	302,078

## 5. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2017	30.6.2016
	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)
Net gain from changes in fair value of derivative liabilities	1,770	90
Loss on disposal of available-for-sale investments	–	(1,275)
Gain on disposal of property, plant and equipment	89	–
Net foreign exchange loss	(2,817)	(1,131)
	<b>(958)</b>	(2,316)

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 6. OTHER EXPENSES

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Donation expense	1,613	914
Listing expenses	11,540	4,868
	<b>13,153</b>	5,782

## 7. FINANCE COSTS

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	9,846	7,058
Less: amount capitalised in the cost of qualifying assets	(2,903)	–
	<b>6,943</b>	7,058
Interest on finance lease	1	10
Interest on redeemable convertible preferred shares	778	58
	<b>7,722</b>	7,126

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 8. TAXATION

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
Current tax:		
Hong Kong	–	–
People's Republic of China ("PRC")		
Enterprise Income Tax ("EIT")	49	56
Other jurisdictions	387	–
	<b>436</b>	56
(Overprovision) underprovision in prior years:		
PRC EIT	–	1,250
Other jurisdictions	(153)	–
	<b>(153)</b>	1,250
	<b>283</b>	1,306
Deferred tax:		
Current period	(133)	(110)
	<b>150</b>	1,196

No provision for Hong Kong Profits Tax has been made as the Group does not have assessable profits arising in Hong Kong for both periods.

The Group is engaged in manufacturing of hair products through several processing factories in the PRC under contract and import processing arrangement which is effective for both periods.

Accordingly, under such 50:50 onshore/offshore arrangement between the Group and the contract processing factories, certain profits of the Group are not taxable under Hong Kong Profits Tax for both periods.

Meanwhile, the profit derived under the import processing arrangement are treated as 100% taxable under Hong Kong Profits Tax for both periods. In addition, the processing factories of the Group are subject to PRC EIT at a rate of 25% on the actual profit generated in the PRC.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 8. TAXATION (continued)

No Bangladesh income tax was provided in the condensed consolidated financial statements as one of the subsidiaries operating in Bangladesh is exempted from income tax for 10 financial years from the date of commencement of commercial operations (i.e. 10 May 2010) up to 2019 while the remaining entities in Bangladesh have no assessable profits for both periods.

Taxation arising from other jurisdictions, in Japan and US, is calculated at the rates prevailing in the relevant jurisdictions. For Japan, the applicable prevailing tax rate was 27% for both periods.

## 9. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	172	177
Depreciation of property, plant and equipment	13,342	9,775
Total depreciation and amortisation	13,514	9,952
Interest income	(63)	(41)
Dividend income received from listed equity securities	–	(20)
Rental income from warehouses	(276)	(284)
Cost of inventories recognised as expense (included in cost of goods sold)	199,447	202,353
Operating lease payments in respect of rented premises	2,233	2,725

## 10. DIVIDENDS

The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

During the six months ended 30 June 2016, a subsidiary of the Company declared dividends of HK\$50,000,000 to its then shareholders. Dividend per share is not presented as its inclusion is not considered meaningful for the preparation of the condensed consolidated financial statements of the Group.

Other than the above, no dividend was paid or declared by the Company or by Group's entities during the six months ended 30 June 2017 and 2016.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 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 on the assumption that the group reorganisation and capitalisation issue as disclosed in notes 2 and 26 has been effective on 1 January 2016:

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings attributable to owners of the Company:		
Earnings for the purpose of basic earnings per share	<b>47,213</b>	35,363
Add: Interest expenses on redeemable convertible preferred shares	<b>778</b>	58
Change in fair value of redeemable convertible preferred shares	<b>(16,848)</b>	–
<b>Earnings for the purpose of diluted earnings per share</b>	<b>31,143</b>	35,421

	Six months ended	
	30.6.2017	30.6.2016
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares:		
Number of ordinary shares for the purpose of basic earnings per share	<b>336,904</b>	336,904
Effect of dilutive potential ordinary shares:		
Redeemable convertible preferred shares	<b>124,346</b>	6,149
<b>Weighted average number of ordinary shares for the purpose of diluted earnings per share</b>	<b>461,250</b>	343,053

The number of ordinary shares for the purpose of basic earnings per share has been arrived on the basis of 236,904,000 ordinary shares deemed to be issued pursuant to the capitalisation issue as disclosed in note 26, which does not reflect the number of capitalisation shares to be issued resulting from the conversion of the redeemable convertible preferred shares.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2017, the Group spent approximately HK\$31,550,000 (six months ended 30 June 2016: HK\$35,420,000 (unaudited)) on property, plant and equipment.

## 13. INVENTORIES

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Raw materials	248,125	217,386
Work in progress	44,362	47,614
Finished goods	43,247	52,078
	<b>335,734</b>	317,078

## 14. TRADE AND OTHER RECEIVABLES

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Trade receivables	116,041	121,633
Other receivables	3,206	6,745
Purchase rebate receivables	12,000	16,000
Other tax receivables	575	625
Prepayment	31,659	9,471
Deferred listing related expenses	7,620	4,660
Deposits paid to suppliers	53,512	32,065
	<b>224,613</b>	191,199



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 14. TRADE AND OTHER RECEIVABLES (continued)

The Group allows credit period up to 90 days to its customers. A longer credit period may be granted to large or long established customers with good payment history.

The following is an analysis of trade receivables by age, presented based on the invoice date, which approximates the respective revenue recognition dates.

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
0 – 60 days	89,169	81,083
61 – 90 days	15,421	23,558
91 – 120 days	8,725	13,485
Over 120 days	2,726	3,507
	<b>116,041</b>	121,633

## 15. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged to banks to secure short-term bank loans and are therefore classified as current assets.

The deposits carry fixed interest rate ranging from 0.001% to 0.42% (31 December 2016: 0.001% to 0.42%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

## 16. TRADE AND OTHER PAYABLES

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Trade payables	19,579	17,127
Accrued staff costs	12,330	21,729
Accruals and other payables	18,314	15,489
	<b>50,223</b>	54,345

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 16. TRADE AND OTHER PAYABLES (continued)

The following is an aged analysis of trade payables presented based on invoice date at the end of each reporting period:

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
0 – 60 days	19,579	17,127

## 17. SECURED BANK BORROWINGS

During the six months ended 30 June 2017, the Group obtained new mortgage and short term loans amounting to HK\$318,135,000 (30 June 2016: HK\$143,000,000) and repaid mortgage and short term loans of HK\$320,585,000 (30 June 2016: HK\$21,481,000). Proceeds from new borrowings were used to finance the general operating activities and construction of production facilities of the Group. As at 30 June 2017, the bank borrowings carried floating rate interest ranging from 1.39% to 5.25% (31 December 2016: 1.39% to 5.25%) per annum.

## 18. SHARE CAPITAL

The issued share capital of the Group as at 1 January 2016 represented the share capital of Evergreen Factory.

The movement in share capital of the Company are as follows:

	<i>Notes</i>	Number of shares	Amount US\$ '000
Ordinary shares of US\$0.01 each			
Authorised:			
At 19 May 2016	<i>(a)</i>	5,000,000	50
Increased in authorised share capital	<i>(c)</i>	395,000,000	3,950
At 31 December 2016 and 30 June 2017		400,000,000	4,000
Issued and fully paid:			
At 19 May 2016	<i>(b)</i>	1	–
Issue of ordinary shares pursuant to the group reorganisation	<i>(d)</i>	99,999,999	1,000
At 31 December 2016 and 30 June 2017		100,000,000	1,000

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 18. SHARE CAPITAL (continued)

Shown in the condensed consolidated financial statements as:

	<b>Amount</b> <i>HK\$'000</i>
At 31 December 2016, 1 January 2017 and 30 June 2017	<b>7,780</b>

Notes:

- (a) On 19 May 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of US\$50,000 divided into 5,000,000 ordinary shares of US\$0.01 each.
- (b) One share was allotted and issued to the first subscriber and such share was subsequently transferred to Evergreen Enterprise Holdings Limited on 10 June 2016.
- (c) On 22 June 2016, the authorised share capital of the Company was increased from US\$50,000 divided into 5,000,000 shares with a par value of US\$0.01 each to US\$5,000,000 divided into 500,000,000 shares with a par value of US\$0.01 each, out of which 400,000,000 shares (including the one issued share) were re-designated to 400,000,000 ordinary shares with a par value of US\$0.01 each and 100,000,000 shares were re-designated to 100,000,000 redeemable convertible preferred shares with a par value of US\$0.01 each.
- (d) On 22 June 2016, the Company issued 99,999,999 ordinary shares and 36,908,517 series A redeemable convertible preferred shares (the "Preferred Shares") to EGL as consideration for the acquisition of Evergreen Factory pursuant to the group reorganisation as disclosed in note 2, resulting these series A redeemable convertible preferred shares being accounted for as liabilities, details of which are set out in note 19.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 19. REDEEMABLE CONVERTIBLE PREFERRED SHARES

	Number of shares	Nominal value <i>US\$'000</i>
Redeemable convertible preferred shares of US\$0.01 each:		
Authorised:		
Balance at 22 June 2016, 31 December 2016, and 30 June 2017	<b>100,000,000</b>	<b>1,000</b>
Issued and fully paid:		
Balance at 22 June 2016, 31 December 2016, and 30 June 2017	<b>36,908,517</b>	<b>15,000</b>

The 36,908,517 series A redeemable convertible preferred shares (the "Preferred Shares") are designated as financial liabilities at fair value through profit or loss.

The fair value of the Preferred Shares was determined by discounted cash flow analysis and option pricing method. The present value of the estimated future cash flow is discounted at the weighted average cost of capital ("WACC") of 14% (31 December 2016: 14%) at 30 June 2017.

The assumptions and key parameters adopted for the valuation of the Preferred Shares are as follows:

	30 June 2017 option-pricing method (unaudited)	31 December 2016 option-pricing method (audited)
Methodology		
Estimated probability of the Preferred Shares		
– for redemption	<b>0%</b>	10%
– for conversion	<b>100%</b>	90%
Discount rate		
– for redemption	<b>N/A</b>	12.6%
Time to expiration (number of years)	<b>0.73</b>	1.25
Preferred shares dividend yield	<b>2%</b>	2%
Compound annual growth rate	<b>10%</b>	10%
Expected volatility	<b>16.0% – 34.6%</b>	38.5% – 43.6%

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 19. REDEEMABLE CONVERTIBLE PREFERRED SHARES (continued)

The other major assumptions adopted for the option-pricing method valuation of the Preferred Shares are as follows:

- (a) The estimation of risk free rate is based on the yield to maturity of the Hong Kong Government Bond matured at time close to the initial public offering timing as of valuation date.
- (b) Volatility is estimated based on annualised standard deviation of daily stock price return of comparable companies.

The movements of the Preferred Shares during the period ended 30 June 2017 are set out below:

	<b>Amount HK\$'000</b>
At 1 January 2017 (audited)	<b>205,256</b>
Change in fair value of redeemable convertible preferred shares	<b>(16,848)</b>
At 30 June 2017 (unaudited)	<b>188,408</b>

## 20. SHARE BASED PAYMENT TRANSACTIONS

The Group adopted a share option scheme on 19 June 2017 ("Share Option Scheme"). The purpose of Share Option Scheme is to provide any directors and full-time employees of any member of the Group who have contributed or will contribute to the Group ("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, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

Pursuant to the Share Option Scheme, the directors of the Company may invite 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's daily quotations sheet on the date on which an offer is made by the Company to the grantee (which date must be a business day, "Offer Date"); (b) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange'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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 20. SHARE BASED PAYMENT TRANSACTIONS (continued)

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.

## 21. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### *Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis*

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. 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 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 2017

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

Financial assets and liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
	30/06/17	31/12/16				
	HK\$'000	HK\$'000				
Derivative liability						
- foreign currency forward contracts	Liabilities - nil	Liabilities - 2,126	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contracted forward exchange rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A
- interest rate swaps	Liabilities - 733	Liabilities - 859	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.		
Redeemable convertible preferred shares	Liabilities - 188,408	Liabilities - 205,256	Level 3	Discounted cash flow analysis and option pricing method key inputs: Compound annual growth rate ("CAGR"), WACC to determine the enterprise fair value, probability of automatic conversion, risk-free rate, time to expiration, dividend yield and volatility.	CAGR of 10% as at 30 June 2017 (31 December 2016: 10%).  Probability of automatic conversion of 100% as at 30 June 2017 (31 December 2016: 90%).  WACC of 14% as at 30 June 2017 (31 December 2016: 14%).	An increase in the CAGR would result in an increase in the fair value, and vice versa.  An increase in the probability of automatic conversion would result in an increase in the fair value, and vice versa.  An increase in WACC would result in a decrease in the fair value, and vice versa.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

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

### *Fair value measurement and valuation process*

In estimating the fair value of the redeemable convertible preferred shares to determine the appropriate valuation technique and inputs for fair value measurement, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The directors of the Company work closely with qualified external valuer to establish the appropriate valuation technique and inputs to the model. Information about valuation technique and inputs used in determining the fair value of the redeemable convertible preferred shares are disclosed above.

There were no transfers between Level 1 and Level 3 during the six months ended 30 June 2017 and 2016.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortized 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. PLEDGE OF ASSETS

At the end of the reporting period, the following assets were pledged by the Group to secure its banking and other financing facilities:

	30.6.2017 HK\$'000 (Unaudited)	31.12.2016 HK\$'000 (Audited)
Pledged bank deposits	77,901	35,912
Property, plant and equipment	3,665	3,693
Prepaid lease payments	1,745	1,607
Deposits and prepayments for life insurance policies ( <i>note</i> )	18,227	17,867
	<b>101,538</b>	59,079

*Note:* As at 30 June 2017, the life insurance policies carry insured amount of US\$11,407,000 (equivalent to HK\$88,743,000) (31 December 2016: US\$9,350,000 (equivalent to HK\$72,743,000)).



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 22. PLEDGE OF ASSETS (continued)

As at 30 June 2017 and 31 December 2016, the Group's banking facilities were also secured by:

- (a) Negative pledge on the assets of certain subsidiaries in the PRC and Bangladesh;
- (b) Unlimited guarantees provided by the directors of the Company and the Company's fellow subsidiaries;
- (c) The land and buildings in Hong Kong held by subsidiaries of Ventures Day Investments Limited ("Ventures Day"), the Company's fellow subsidiary which is under the control of the same controlling shareholder of the Company; and
- (d) A subordination agreement that the amounts due to directors advanced by them to the Company would be subordinated to the advance from a bank.

Subsequent to 30 June 2017, the unlimited guarantees provided by the directors and the Company's fellow subsidiaries under (b) above, the land and buildings held by the Company's fellow subsidiaries under (c) above and subordination agreement under (d) above were released and replaced by corporate guarantee from the Company to relevant banks.

## 23. OPERATING LEASE COMMITMENTS

At the end of the reporting period, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which would fall due as follows:

	30.6.2017 <i>HK\$'000</i> (Unaudited)	31.12.2016 <i>HK\$'000</i> (Audited)
Within one year	3,593	3,224
In the second to fifth year inclusive	4,702	4,531
After five years	13,360	10,170
	<b>21,655</b>	17,925

Operating lease payments represent rentals payable by the Group for certain of its office and factory premises. Leases are negotiated for terms ranging from 2 years to 34 years at fixed monthly rentals.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 24. CAPITAL COMMITMENT

	<b>30.6.2017</b>	31.12.2016
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Audited)
Contracted but not provided in the condensed consolidated statement of financial position in respect of property, plant and equipment	<b>820</b>	508

## 25. RELATED PARTY DISCLOSURE

The Group had the following transactions with related parties for both periods:

(A)

		<b>Six months ended</b>	
	<i>Note</i>	<b>30.6.2017</b>	30.6.2016
		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
Sales of goods	<i>(i)</i>	–	337
Computer product and service expenses	<i>(i)</i>	<b>540</b>	540
		<b>540</b>	877

*Note (i):* For both periods, the Group entered into transactions with Eastern Earnings (China) Company Limited and Hopcom Software Company Limited of which Mr. Chang Chih Lung and Mr. Chang Yoe Chong, Felix are also the directors and shareholders of these companies.

(B) As at 30 June 2017 and 31 December 2016, the Group's banking facilities are secured by certain assets of the fellow subsidiaries of the Company and guarantees were provided by directors and fellow subsidiaries of the Company. Subsequent to 30 June 2017, such guarantees and pledge were released and replaced by corporate guarantee from the Company to relevant banks.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2017

## 25. RELATED PARTY DISCLOSURE (continued)

### (C) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors who are also identified as members of key management during the period was as follows:

	Six months ended	
	30.6.2017	30.6.2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Short-term employee		
Salaries and other benefits	1,516	1,889
Retirement benefits scheme contribution	17	45
	<b>1,533</b>	1,934

## 26. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in the condensed consolidated financial statements, the following subsequent events taken place:

- (i) Pursuant to the written resolution passed by the shareholders of the Company on 19 June 2017, conditional upon the share premium account of the Company being credited as a result of the global offering, the directors of the Company were authorised to capitalise the amount of US\$3,243,415 from the amount standing to the credit of the share premium account of the Company to pay up in full at par 324,341,483 shares for allotment and issue to the existing shareholders of the Company.

On 12 July 2017, 153,750,000 new shares of the Company have been issued at the price of HK\$1.65 per share under the global offering and 324,341,483 shares were allotted and issued to the existing shareholders of the Company pursuant to the resolution mentioned above. The shares of the Company were successfully listed on the same date.

- (ii) On 12 July 2017, Preferred Shares were converted into the Company's ordinary shares at par value of US\$0.01 each and 36,908,517 ordinary shares were issued.

## 27. APPROVAL OF INTERIM FINANCIAL INFORMATION

The interim financial information was approved by the Board of Directors on 28 August 2017.