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 ANNUAL REPORT

CONTENTS

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chang Yoe Chong Felix
(Chairman and Chief Executive Officer)
Mr. Kwok Yau Lung Anthony *(Chief Operating Officer)*
Mr. Chan Kwok Keung
Ms. Jia Ziying
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

PRINCIPAL BANKS

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

Chairman's Statement

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Evergreen Products Group Limited ("**Evergreen**" or the "**Company**") and its subsidiaries (collectively, the "**Group**"), I am pleased to present the first annual report of the Group for the year ended 31 December 2017 (the "**Year**") since the successful listing (the "**Listing**") of the shares of the Company (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 12 July 2017 (the "**Listing Date**").

The Listing has not only marked an important milestone in the strategic development of the Group, but the proceeds from the global offering of the Shares (the "**Global Offering**") are also driving the Group's business development. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the IPO of approximately HK$204.7 million, thereby further enhancing its financial resources and capital strength to pursue its business development and contribute positively to its gearing ratio.

The Listing is expected to provide a more effective fund-raising platform and a stronger financial capability, equipping the Group with the flexibility to capture greater opportunities for its sustainable business development and expansion in the long-run as well as enhancing its brand. The Group will continue to strengthen its core business and explore new opportunities in order to maximise the value of the Company and returns to its shareholders.

OVERVIEW

Evergreen is one of the world's leading manufacturers of hair goods with an approximately 4.0% market share of the 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. It boasts a comprehensive product portfolio targeted at different ethnic groups and the Halloween market, with presence in major markets including the United States, the United Kingdom, the People's Republic of China ("**China**" or the "**PRC**"), Japan and South Africa. With a solid foundation built over years of operation in Bangladesh and through implementing flexible development strategies, Evergreen's business has continued to grow and achieved outstanding results during the Year.

BUSINESS REVIEW

As at 31 December 2017, the Group had 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 two production centres in Bangladesh occupying approximately 58,000 square metres of land with a total GFA of 65,699 square metres. In January 2017, the Group completed the construction works of the Phase III production facility in the Uttara Export Processing Zone in Bangladesh, which is used for the production of wigs and related products, and has commenced its operation and production.

During the Year, in line with the Group's factory deployment strategy, the production facilities in Bangladesh (the "**Bangladesh Factory**") housing its principal manufacturing capacity have contributed significantly to the Group's profitability.

FINANCIAL REVIEW

The expansion of the Bangladesh Factory's production capacity coupled with wider recognition and the greater volume of orders from customers contributed to further growth of the business. During the Year, the Group's turnover amounted to HK$647.3 million (2016: HK$595.7 million), higher than that for the year ended 31 December 2016. The Group continued to enjoy low labour costs from production in the Bangladesh Factory during the Year, which also contributed positively to an overall increase in gross profit of 8.9% to HK$230.2 million while gross profit margin also rose by 0.1 percentage points to 35.6%. Benefitting from a significant improvement in production efficiency at the Bangladesh Factory, profit attributable to shareholders jumped by 233.9% to HK$110.2 million. The Group's net profit for the Year was HK$109.5 million, representing an increase of HK$76.7 million, or 233.8%, as compared with HK$32.8 million for the year ended 31 December 2016, primarily attributable to: (i) two one-off and non-recurring Listing-related items including a gain of HK$32.1 million from a change in fair value of redeemable convertible preferred shares (2016: loss of HK$39.3 million) and net off against the listing expenses of HK$15.3 million (2016: HK$14.0 million); and (ii) an increase in net profit arising from the manufacturing and sale of hair products. Without taking into account the listing expenses of HK$15.3 million and the change in fair value of redeemable convertible preferred shares of HK$32.1 million recognised during the Year, the Group's adjusted net profit for the Year was HK$92.7 million, representing an increase of HK$6.6 million, or 7.7%, as compared with HK$86.1 million for the year ended 31 December 2016.

OUTLOOK

In order to meet the expected increase in demand for its 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.

In addition, the Group will continue to expand its product portfolio and customer base and endeavour to improve its production efficiency through both consolidation of its raw material processing and hair goods production functions in Bangladesh and an increase of its production capacity which could thereby facilitate sustainable profitability of the Group.

Looking ahead, the Group plans to increase its market share, expand revenue sources and enhance profitability by introducing a greater variety of human hair goods to its customers and further developing the product segment of high-end human hair extensions by more effectively utilising the new facilities in Bangladesh.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK8.13 cents per Share for the Year (2016: Nil), totalling approximately HK$50 million based on a total of 615,000,000 Shares in issue as at the date of this annual report.

APPRECIATION

On behalf of the Board, I would like to thank all members of our staff and management team for their dedication and continuous support and look forward to sharing the prosperous future of Evergreen with them and all of our shareholders and customers.

Chang Yoe Chong Felix
Chairman

Hong Kong, 27 March 2018

Management Discussion and Analysis

BUSINESS REVIEW

Evergreen is one of the world's leading global manufacturers of hair goods with an approximately 4.0% market share of the global synthetic hair goods manufacturer revenue in 2016. It 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. This comprehensive product portfolio enables the Group to better ride fashion trends and capture customers across various market segments.

Benefitting from the lower production cost in Bangladesh, the Group started to strategically shift its production facilities in 2009 by setting up production centres there. As at 31 December 2017, the Group had three production centres in China and two in Bangladesh, occupying approximately 113,163 square metres of land with a total GFA of 54,091 square metres and approximately 58,000 square metres of land with a total GFA of 65,699 square metres, respectively. In January 2017, the Group completed the construction works of the Phase III production facility in the Uttara Export Processing Zone in Bangladesh, which is used for the production of wigs and related products, and has commenced operation and production since January 2017.

During the Year, by adhering to the Group's factory deployment strategy, the Bangladesh Factory housing its principal manufacturing capacity has contributed significantly to the Group's profitability.

FINANCIAL REVIEW

During the Year, the Group's financial results were similar compared with the year ended 31 December 2016 with improved profitability growth due to the greater economies of scale achieved at the Bangladesh Factory.

REVENUE

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

During the Year, the Group's revenue amounted to HK$647.3 million, representing an increase of HK$51.6 million or 8.7% as compared with HK$595.7 million for the year ended 31 December 2016. The increase was primarily the result of its 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 Year, rising market demand for the Group's wigs products was satisfied by the rapid expansion of production capacity at the Bangladesh Factory. The Bangladesh Factory, which has consistently enhanced its production capabilities and continued to develop steadily during the Year, remained as the Group's main revenue source and facilitated its profitability growth. During the Year, the revenue generated from hair goods made at the Bangladesh Factory accounted for 87.4% of the Group's total revenue as compared with 81.9% for the year ended 31 December 2016.

The United States remained as the Group's principal market during the Year with revenue contribution accounting for 80.5% of the Group's total revenue during the Year as compared with 76.3% for the year ended 31 December 2016. In terms of product segments, wigs, hair accessories and others remained as the Group's key product segment, accounting for 69.0% of its total revenue during the Year as compared with 68.7% for the year ended 31 December 2016.

Wigs, hair accessories and others. Revenue from wigs, hair accessories and others increased by HK$37.3 million, or 9.1%, from HK$409.3 million for the year ended 31 December 2016 to HK$446.6 million for the Year, primarily due to: (i) more sales of high margin products such as lace wigs and less sales of low margin products such as braids; and (ii) a significant increase in sales under self-owned brands directly to end-users through e-commerce during the Year.

High-end human hair extensions. Revenue from high-end human hair extensions increased by HK$18.5 million, or 13.1%, from HK$141.5 million for the year ended 31 December 2016 to HK$160.0 million for the Year, primarily due to higher sales volume driven by increased production at the Bangladesh Factory.

Halloween products. Revenue from Halloween products decreased by HK$4.2 million, or 9.4%, from HK$44.9 million for the year ended 31 December 2016 to HK$40.7 million for the Year, primarily due to seasonal decrease of sales of Halloween products as Halloween fell midweek in the Year.

COST OF GOODS SOLD

The Group's cost of goods sold increased by HK$32.7 million, or 8.5%, from HK$384.4 million for the year ended 31 December 2016 to HK$417.1 million for the Year, which is in line with an increase in revenue during the Year.

Wigs, hair accessories and others. Cost of goods sold for wigs, hair accessories and others increased by HK$20.9 million, or 7.3%, from HK$286.9 million for the year ended 31 December 2016 to HK$307.8 million for the Year, corresponding with an increase in sales of these products during the Year. The increase was also attributable to a change in product mix towards production of more wigs and lace wigs during the Year, which has longer production period and higher costs than production of simple braids.

High-end human hair extensions. Cost of goods sold for high-end human hair extensions increased by HK$11.9 million, or 17.9%, from HK$66.5 million for the year ended 31 December 2016 to HK$78.4 million for the Year, which is in line with an increase in sales of these products during the Year.

Halloween products. Cost of goods sold for Halloween products decreased slightly by HK$0.1 million, or 0.3%, from HK$31.0 million for the year ended 31 December 2016 to HK$30.9 million for the Year, corresponding with a decrease in sales of these products during the Year.

GROSS PROFIT

The Group continued to enjoy low labour costs from production at the Bangladesh Factory during the Year, which also contributed positively to the overall improvement in gross profit. During the Year, the Group's gross profit amounted to HK$230.2 million, representing an increase of HK$18.9 million, or 8.9%, as compared with HK$211.3 million for the year ended 31 December 2016, primarily due to an increase in sales of high-end human hair extensions which have higher gross profit margin compared to the other two segments. During the Year, the Group's gross profit margin amounted to 35.6%, representing an increase of 0.1 percentage points from 35.5% for the year ended 31 December 2016.

Wigs, hair accessories and others. Gross profit for wigs, hair accessories and others increased by HK$16.3 million, or 13.3%, from HK$122.5 million for the year ended 31 December 2016 to HK$138.8 million for the Year. Gross profit margin for this segment increased slightly from 29.9% for the year ended 31 December 2016 to 31.1% for the Year, primarily due to: (i) a change in product mix towards production of more wigs and lace wigs during the Year, which has high profit margin; and (ii) sales under self-owned brands directly to end-users through e-commerce which generated high profit margin.

High-end human hair extensions. Gross profit for high-end human hair extensions increased by HK$6.7 million, or 8.9%, from HK$74.9 million for the year ended 31 December 2016 to HK$81.6 million for the Year. Gross profit margin for this segment slightly declined from 53% for the year ended 31 December 2016 to 51% for the Year, primarily due to an increase in sales of high-end human hair extensions under non-self-owned brands during the Year, which recorded a lower gross profit margin than similar products sold under the Group's own brands.

Halloween products. Gross profit for Halloween products decreased by HK$4.1 million, or 29.5%, from HK$13.9 million for the year ended 31 December 2016 to HK$9.8 million for the Year. Gross profit margin for Halloween products decreased from 30.9% for the year ended 31 December 2016 to 24.0% for the Year, primarily due to more costs incurred such as discounts being offered to boost sales of Halloween products in particular due to the fact that Halloween fell midweek in the Year. Moreover, additional costs were spent to set up additional Halloween design units in the Bangladesh Factory.

OTHER INCOME

Other income increased by HK$1.4 million, or 51.9%, from HK$2.7 million for the year ended 31 December 2016 to HK$4.1 million for the Year, primarily due to 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$0.7 million, or 14.6%, from a loss of HK$4.8 million for the year ended 31 December 2016 to a loss of HK$4.1 million for the Year, primarily due to the fact that the amount of the loss arising from changes in fair value of the Group's foreign currency forward contracts for the Year is less than the amount of the loss for the year ended 31 December 2016.

CHANGE IN FAIR VALUE OF REDEEMABLE CONVERTIBLE PREFERRED SHARES

Immediately before the completion of the Global Offering in July 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**"). All of the Preferred Shares were converted, on a one-to-one basis, into 36,908,517 Shares immediately before the completion of the Global Offering. The Group recorded a gain from change in fair value of redeemable convertible preferred shares of HK$32.1 million upon the conversion of the Preferred Shares (2016: a loss of HK$39.3 million).

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses rose by HK$2.8 million, or 21.7%, from HK$12.9 million for the year ended 31 December 2016 to HK$15.7 million for the Year, primarily due to an increase in advertising and commission expenses to boost sales during the Year.

ADMINISTRATIVE EXPENSES

Administrative expenses rose by HK$18.3 million, or 20.9%, from HK$87.4 million for the year ended 31 December 2016 to HK$105.7 million for the Year, primarily due to an increase in staff salary and corresponding pension payments during the Year especially for administrative staff in China.

OTHER EXPENSES

Other expenses increased by HK$3.1 million, or 20.8%, from HK$14.9 million for the year ended 31 December 2016 to HK$18.0 million for the Year, primarily due to an increase in the amount of donations made by the Group from HK$0.9 million for the year ended 31 December 2016 to HK$2.7 million for the Year and an increase in listing expenses from HK$14.0 million for the year ended 31 December 2016 to HK$15.3 million for the Year.

FINANCE COSTS

Finance costs decreased by HK$5.1 million, or 29.0%, from HK$17.6 million for the year ended 31 December 2016 to HK$12.5 million for the Year. During the Year, the Group capitalised interest on bank borrowings of HK$8.0 million as the cost of qualifying assets (2016: Nil). Without such capitalisation, the increase in finance costs, as compared to the year ended 31 December 2016, was HK$2.9 million or 16.5% for the Year, primarily due to an increase in bank borrowings.

TAXATION

Income tax expense of the Group decreased by HK$3.3 million, or 76.7%, from HK$4.3 million for the year ended 31 December 2016 to HK$1.0 million for the Year, primarily due to provision for the transfer pricing exposure of the Group's subsidiaries established in the PRC in prior years. In 2016, the Group commissioned a transfer pricing review of its PRC subsidiaries for the years ended 31 December 2013, 2014, 2015 and 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 year ended 31 December 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 2016. Income tax expense in other jurisdictions decreased by HK$1.6 million from HK$2.2 million for the year ended 31 December 2016 to HK$0.6 million for the Year due to a decrease in income tax expense of a subsidiary in Japan. Income tax expense in Hong Kong for the Year in the amount of HK$0.6 million (2016: Nil) arose from the Group's e-commerce business. Income tax expense was net off against the reversal of deferred taxation in the amount of HK$0.4 million for both the year ended 31 December 2016 and the Year.

NET PROFIT

The Group's net profit for the Year was HK$109.5 million, representing an increase of HK$76.7 million, or 233.8%, as compared with HK$32.8 million for the year ended 31 December 2016, primarily attributable to: (i) two one-off and non-recurring items related to the Listing including a gain of HK$32.1 million from a change in fair value of redeemable convertible preferred shares (2016: loss of HK$39.3 million) and net off against the listing expenses of HK$15.3 million (2016: HK$14.0 million); and (ii) an increase in net profit arising from the manufacturing and sale of hair products. Without taking into account the listing expenses of HK$15.3 million and the change in fair value of redeemable convertible preferred shares of HK$32.1 million recognised during the Year, the Group's adjusted net profit for the Year was HK$92.7 million, representing an increase of HK$6.6 million, or 7.7%, as compared with HK$86.1 million for the year ended 31 December 2016.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's bank balances, pledged bank deposits and cash increased by 99.1% from HK$96.3 million as at 31 December 2016 to HK$191.7 million as at 31 December 2017. The significant increase in cash and bank balances as at 31 December 2017 was primarily due to the unused proceeds from the Global Offering and a slight increase in borrowings for the preparation for the upcoming construction payments and operating expenses such as salary and utilities payment with regards to the Bangladesh Factory in the coming months.

BORROWINGS AND GEARING RATIO

As at 31 December 2017, the Group's banking facilities amounted to HK$584.0 million, of which HK$78.1 million remained unutilised. As at 31 December 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, was 75.3% as compared to 495.4% as at 31 December 2016. The significant decrease in the gearing ratio for the Year primarily reflected the conversion of the Preferred Shares, an increase in the share capital and the share premium of the Company as a result of the Listing during the Year and netting-off effect from an increase in secured bank borrowings. All of the Preferred Shares were converted, on a one-to-one basis, into 36,908,517 Shares immediately prior to the Listing.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

During the Year, the Group spent approximately HK$82.3 million (including interest on bank borrowings of HK$8.0 million capitalised as the cost of qualifying assets) on additions to fixed assets as compared to HK$88.6 million for the year ended 31 December 2016 mainly to further upgrade and expand its manufacturing capabilities in Bangladesh. As at 31 December 2017, the Group had no capital commitment as full deposit has been made in respect of property, plant and equipment.

CURRENCY RISKS

A significant portion of the Group's revenue is derived from sales to overseas customers denominated in foreign currencies. For the Year, 93.3% (2016: 91.9%) of the Group's revenue was denominated in U.S. dollar ("**US$**"). The Group mainly operates in Bangladesh and the PRC and most of the Group's operating expenses are denominated in Bangladeshi Taka ("**Taka**") and Renminbi ("**RMB**").

The Group entered into a US$/RMB foreign currency forward contract to hedge exposure to the appreciation of RMB against U.S. dollar on a monthly basis from July 2015 to June 2017. During the Year, the Group had incurred a net loss of approximately HK$0.1 million (2016: HK$4.1 million) from the transactions under the contract. The Group also entered into a US$/HK$ foreign currency forward contract to hedge exposure to the appreciation of U.S. dollar against Hong Kong dollar on a monthly basis from January 2016 to December 2017. During the Year, the Group realised a net gain of HK$0.1 million (2016: HK$0.2 million) from the transactions under the US$/HK$ foreign currency forward contract. The Group has not hedged exposure to any change in the foreign exchange rate of Taka. The value of Taka or RMB against U.S. dollar and other currencies may fluctuate due to, among other things, political as well as economic policies and conditions both in the jurisdictions in which the Group operates as well as globally. The Group's profit margins could be adversely affected to the extent that the Group is unable to increase the U.S. dollar denominated selling prices of products sold to overseas customers or shift the exchange risk to the Group's customers to account for the appreciation of Taka or RMB against U.S. dollar. These fluctuations may result in exchange losses or gains or increases or reductions in the Group's costs after translation from U.S. dollar to RMB or Taka. Any appreciation of Taka or RMB may lead to an increase in the Group's manufacturing costs if the Group is unable to pass on such additional costs to customers. This potential increase may, in turn, affect the Group's competitiveness against competitors outside Bangladesh and/or the PRC.

CONTINGENT LIABILITIES

As at 31 December 2017, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2017, the Group's banking facilities were secured by:

(a) a pledge of the Group's bank deposits of approximately HK$100.5 million;

(b) a negative pledge on the assets of the Group's subsidiaries in the PRC and Bangladesh;

(c) insurance contracts entered for one of the Directors; and

(d) the Group's land and buildings in Hong Kong.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2017, the Group employed a total of (i) 16,629 employees in Bangladesh, as compared to 12,918 as at 31 December 2016, (ii) 743 employees in China, as compared to 809 as at 31 December 2016, (iii) 70 employees in Hong Kong, as compared to 78 as at 31 December 2016, and (iv) 9 employees in Japan and the United States, as compared to 7 as at 31 December 2016.

Total employee expenditures during the Year amounted to HK$240.6 million as compared to HK$192.0 million for the year ended 31 December 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 the 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 annual report, (i) there were no significant investments held, nor were there any material acquisitions or disposals during the Year; 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 annual report.

OUTLOOK

In order to meet the expected increase in demand for its 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. Towards that end, 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 nearly completed with only interior decoration to be completed before it can commence 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 Year. 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, which will be principally engaged in package cartoning, will commence in 2018.

With the addition of the new facilities in Bangladesh, the Group believes that it will be able to meet additional product demand from existing and new customers, shorten the production lead time and improve its production efficiency through both integration 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 would lead to an increase in demand of its products and boost its market share in the relevant markets. The Group plans to increase market share and enhance revenue sources and profitability by introducing a greater variety of human hair goods to existing customers and further developing the product segment of high-end human hair extensions through the Bleaching and Dyeing Complex in Bangladesh currently under construction. Moreover, with the resulting expansion of its production capacity, the Group will be able to increase penetration of its Halloween products in the market.

Biographical Details of Directors and Senior Management

Brief biographical particulars of the existing Directors and senior management of the Company are set out below:

EXECUTIVE DIRECTORS

Mr. Chang Yoe Chong Felix, aged 52, has been a Director since the incorporation of the Company on 19 May 2016. Mr. Chang was re-designated as an executive Director and appointed as the Chief Executive Officer on 9 September 2016. He is also the Chairman of the Group, the chairman of the nomination committee (the "**Nomination Committee**") and a member of the remuneration committee (the "**Remuneration Committee**") of the Company and has assumed various positions in the Company's subsidiaries including a director of Evergreen Products Factory Limited, a director of EPF Global Enterprises Limited, a director of EPF International Limited, the sole director and manager of Kunming Evergreen Hair Products Co., Ltd.* (昆明訓修髮製品有限公司), a director of Evergreen Products Factory (BD) Ltd., a director of Gold Timing Manufacture (BD) Limited, the manager of Evergreen Products Factory (YZ) Co., Ltd.* (訓修實業(禹州)有限公司) and the manager of Shenzhen Evergreen Hair Products Co., Ltd.* (深圳訓修髮製品有限公司). He is responsible for the Group's overall business strategy and major business decisions. He also oversees the Group's operation in Hong Kong, China, Bangladesh and Japan.

Mr. Chang joined the Group in April 1992 as a manager and was promoted to be the Vice-Chairman and Managing Director in September 1996. He accumulated over 25 years of experience in the hair goods industry. Since joining the Group, Mr. Chang has been responsible for the Group's business strategies and decision-making. Mr. Chang also developed and modified the Group's strategies relating to production, market strategies, and research and development. He has also proposed directional recommendations to the Company by discovering new business opportunities. Mr. Chang has also significantly expanded the Group's scale of production which has led to the Group's current leading position in the hair goods industry.

Mr. Chang obtained a Master of Science degree in Information Technology for Manufacture and a Bachelor of Science degree with honours in Computer and Management Sciences from the University of Warwick in the United Kingdom in July 1992 and July 1990, respectively. Mr. Chang has become a member of the Yunnan Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議) since January 2018. Mr. Chang is the son of Mr. Chang Chih Lung, a non-executive Director.

The discloseable interests of Mr. Chang in the shares and underlying shares of the Company and its associated corporations under the provisions of Part XV of the Securities and Futures Ordinance (the "**SFO**") are set out in the section headed "Report of the Directors – Directors' and Chief Executives' Interests in Shares and Underlying Shares of the Company and its Associated Corporations" in this annual report.

Mr. Kwok Yau Lung Anthony, aged 40, was appointed as an executive Director and the Chief Operating Officer on 9 September 2016. Mr. Kwok is currently the head of the Company's logistic, procurement and human resources and administration department. He is primarily responsible for the Group's logistic, procurement, brand development and management.

* *For identification purposes only*

Mr. Kwok joined the Group in September 2000. After heading to Japan for his further education in October 2003, Mr. Kwok returned to the Group in April 2005. From April 2005 to July 2012, Mr. Kwok worked for the Group and held last position as a director of Evergreen Products Factory Limited. He assisted the Group in setting up its e-commerce business in Japan and establishing its Bangladesh Production Base. Prior to Mr. Kwok's current employment with the Group in June 2016, Mr. Kwok worked at Direct Source (Far East) Limited, a garment manufacturer, from November 2012 to January 2015 and from March 2015 to May 2016, respectively, and was responsible for all merchandising activities.

Mr. Kwok obtained a Bachelor of Science in Mathematics from the Hong Kong University of Science and Technology in July 2000.

Mr. Kwok does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 December 2017, Mr. Kwok did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

Mr. Chan Kwok Keung, aged 50, was appointed as an executive Director on 9 September 2016. Mr. Chan is currently the head of the Company's sales and marketing department and primarily responsible for overseeing the Group's sales and marketing.

Mr. Chan joined the Group in March 1995 and accumulated over 20 years of experience in sales and marketing. He has held various positions in the Group, including director of Evergreen Products Factory Limited, director of EPF Global Enterprises Limited, director of EPF International Limited, director of Evergreen Products Factory (BD) Ltd., as well as director of Gold Timing Manufacture (BD) Limited. Before joining the Group, Mr. Chan worked in the Korea Trade Centre, the Korean Trade-Investment Promotion Agency, as a market research officer from September 1990 to April 1994.

Mr. Chan obtained a Higher Diploma in Institutional Management and Catering Studies from the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1990.

Mr. Chan does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 December 2017, Mr. Chan did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

Ms. Jia Ziying, aged 41, was appointed as an executive Director on 9 September 2016. Ms. Jia is currently the head of the Company's research and development department and production coordination department and is primarily responsible for the Group's product research and development, and the overall manufacturing management. She is also a director of Evergreen Products Factory Limited.

Ms. Jia joined the Group in July 1997 and accumulated over 20 years of experience in design and development of the hair goods. In February 2002, she set up a product design, research and development division for wigs made by sewing machines. In February 2009, Ms. Jia took charge of the product design, research and development division for weaving products. In February 2011, she was promoted to the head of the Group's research and development department and production coordination department. As the head of the Group's production coordination department, Ms. Jia has been primarily responsible for overseeing production and operations management. In March 2011, Ms. Jia also took charge of the product design, research and development division for Halloween products.

Ms. Jia obtained a Diploma in Accounting and Statistics from Chongqing Radio and TV University (重慶廣播電視大學) in October 1997. Ms. Jia is the spouse of Mr. Li Yanbo, an executive Director.

As at 31 December 2017, Ms. Jia did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

Mr. Li Yanbo, aged 47, was appointed as an executive Director on 9 September 2016. He is primarily responsible for the Company's sales and marketing in the PRC. Mr. Li is also a director of Evergreen Products Factory (SZ) Co., Ltd.* (訓修實業(深圳)有限公司) and Evergreen Products Factory Limited, respectively.

Mr. Li has over 20 years of experience in sales and marketing and has assumed various positions in the Group. Mr. Li joined the Group in September 1995 as a merchandiser in Shenzhen Evergreen Hair Products Co., Ltd.* (深圳訓修髮製品有限公司) and was later promoted to its production planner and production director in October 1996 and February 1997, respectively. In October 1998, Mr. Li was further promoted to the manager of the PRC marketing department in Kunming Evergreen Hair Products Co., Ltd.* (昆明訓修髮製品有限公司). Since then, he has been primarily responsible for the Group's sales and marketing in the PRC, including but not limited to sales, marketing planning, market information collection and after-sales service.

Mr. Li graduated from Northwest A&F University (西北農林科技大學) majoring in Environmental Monitoring and Assessment (distance learning) in July 2016. He graduated from a two-year programme in business administration of China Sociology Correspondence University (中國社會學函授大學) (not MOE accredited) (distance learning) in August 2004. In July 1990, he completed two years of study majoring in English in Hunan Wulingyuan Foreign Language School (湖南武陵源外國語學校).

In March 2003, Mr. Li obtained a Qualification Certificate for National Marketing Manager approved and issued by the Marketing Professional Committee of China Business Manager Association. Mr. Li is the spouse of Ms. Jia Ziying, an executive Director.

As at 31 December 2017, Mr. Li did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

* *For identification purposes only*

NON-EXECUTIVE DIRECTORS

Mr. Chang Chih Lung, aged 91, the founder of the Group, has been a Director since the incorporation of the Company on 19 May 2016 and was re-designated as a non-executive Director and appointed as the Honorary Chairman of the Group on 9 September 2016. He has also assumed various positions in the Company's subsidiaries including a director of Evergreen Products Factory Limited, a director of EPF Global Enterprises Limited, a director of EPF International Limited and the legal representative of Evergreen Products Factory (YZ) Co., Ltd.* (訓修實業(禹州)有限公司). Mr. Chang has over 40 years of experience in the hair goods industry. In 1984, Mr. Chang established a hair goods production plant and the Company's predecessor in Guangzhou, China. He is responsible for formulation of the Group's strategic directions and for high level oversight of the Group's management and operations.

Mr. Chang has been the honorary life president of the Association of H.K. Yunnan Fellow Provincials Ltd. (雲南旅港同鄉會) since January 2009. Mr. Chang is the father of Mr. Chang Yoe Chong Felix, an executive Director, the Chairman and the Chief Executive Officer.

The discloseable interests of Mr. Chang in the shares and underlying shares of the Company and its associated corporations under the provisions of Part XV of the SFO are set out in the section headed "Report of the Directors – Directors' and Chief Executives' Interests in Shares and Underlying Shares of the Company and its Associated Corporations" in this annual report.

Mr. Chan Lau Yui Kevin, aged 51, was appointed as a non-executive Director on 9 September 2016, representing SEAVI Advent Investments Ltd, a pre-IPO investor of the Group. He is also a director of Evergreen Enterprise Investment Limited and Evergreen Products Factory Limited. Mr. Chan is responsible for formulation of the Group's strategic directions and for high level oversight of the Group's management and operations. Mr. Chan is a senior partner of SEAVI Advent Private Equity Limited, overseeing its fund management activities for private equity investments in Greater China. Mr. Chan is also an executive director and a responsible officer of SEAVI Advent Ocean Private Equity Limited, a company licensed to conduct type 9 (asset management) regulated activities under the SFO.

Mr. Chan first joined Advent International Corporation as the Principal of its Technology and Communications Investment in its Hong Kong office in May 2000. He has been with SEAVI Advent Equity Limited, the Asian affiliate of Advent International Corporation since July 2002. Prior to the employment in Advent International Corporation, Mr. Chan worked at HSBC Investment Bank Asia Limited from June 1999 to May 2000 and his last position was an associate director, and earlier worked as an associate in the Investment Banking Division of Goldman Sachs (Asia) L.L.C. from 1997 to 1999.

* *For identification purposes only*

Mr. Chan obtained a Master of Business Administration degree from Columbia University in May 1997, a Master of Arts degree from the University of Cambridge in May 1993, a Master of Science degree in Electrical Engineering from Polytechnic University in the U.S. (currently known as New York University Polytechnic School of Engineering) in June 1991 and a Bachelor of Arts degree from the University of Cambridge in July 1989. He is a member of the Institution of Engineering and Technology and the Institute of Electrical and Electronics Engineers, respectively, and is a Chartered Engineer. Mr. Chan has been a responsible officer licensed under the SFO to engage in type 9 (asset management) regulated activities since July 2008. He was awarded the Pearson SRF BTEC Level 7 Advanced Professional Diploma for the Financial Times Non-Executive Director by Pearson Education Ltd in May 2016.

Save as disclosed above, Mr. Chan does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 December 2017, Mr. Chan did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

Mr. Chan Hoi Sing Harold, aged 51, has been a Director since the incorporation of the Company on 19 May 2016 and was re-designated as a non-executive Director on 9 September 2016, representing SEAVI Advent Investments Ltd, a pre-IPO investor of the Group. He is also a director of Evergreen Products Factory Limited. Mr. Chan is responsible for formulation of the Group's strategic directions and for high level oversight of the Group's management and operations. Mr. Chan is also an executive director and a responsible officer of SEAVI Advent Ocean Private Equity Limited, a company licensed to conduct type 9 (asset management) regulated activities under the SFO. He is involved in deal sourcing and structuring, due diligence, investment committee activities and Hong Kong investor relations.

In February 2004, Mr. Chan founded Shun Hing Capital (Asia) Limited, the investment arm of Shun Hing Group, and oversees its investment activities. Prior to this, he served as a vice president, Mergers & Acquisitions of PCCW where he focused on structuring transactions for the group's mergers & acquisitions activities and venture capital investments from February 2000 to March 2003. Before joining PCCW, Mr. Chan was an assistant manager of the Listing Division of the Stock Exchange. His prior career included Tokai Bank Europe Limited and KPMG in the United Kingdom.

Mr. Chan obtained a Master of Arts degree from the University of Cambridge in March 1993 and a Bachelor of Arts degree from the University of Cambridge in June 1989. Mr. Chan is a Chartered Accountant of the Institute of Chartered Accountants in England and Wales and has been a fellow of the Institute of Chartered Accountants in England and Wales since April 2011.

Save as disclosed above, Mr. Chan does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 December 2017, Mr. Chan did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Ip Keung Kenneth, aged 51, was appointed as an independent non-executive Director on 19 June 2017. He is a member of each of the audit committee (the "**Audit Committee**") of the Company, the Remuneration Committee and the Nomination Committee. Mr. Lau is responsible for giving strategic and independent advice and guidance on the Group's business and operations.

Mr. Lau is the vice chairman of Wing Tung Yick Holdings Limited, and the chairman of Super Clean Agricultural Technology International Limited, a company principally engaged in agricultural business. He has assumed various positions in numerous statutory bodies in Hong Kong, including non-official member of the Executive Council of Hong Kong since July 2017, member of the Legislative Council of Hong Kong for the Heung Yee Kuk functional constituency since October 2016; member of Tuen Mun District Council since May 2016; the chairman of the Heung Yee Kuk since June 2015; an indigenous inhabitant representative of Lung Kwu Tan, Tuen Mun, since May 2016; and the chairman of the Tuen Mun Rural Committee since May 2016. He is also a member of the National Committee of the Chinese People's Political Consultative Conference since March 2013.

Mr. Lau obtained a Bachelor of Science (Economics) degree with Honours in Statistics from the London School of Economics and Political Science, the University of London in August 1990. He was appointed by the Hong Kong Government as a New Territories Justice of the Peace in 2007 and a Justice of the Peace in 2002, respectively, and also awarded the Medal of Honour in 1999 by the Hong Kong Government.

Mr. Lau does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 December 2017, Mr. Lau did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

Mr. Sin Hendrick, aged 43, was appointed as an independent non-executive Director on 19 June 2017. He is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Sin is responsible for giving strategic and independent advice and guidance on the Group's business and operations.

Mr. Sin is a founding partner of China Prosperity Capital Fund. He is also the vice chairman of CMGE Group Limited. Between July 2013 and August 2015, Mr. Sin was an independent non-executive director of AID Partners Capital Holdings Limited, a company listed on the Stock Exchange (Stock Code: 8088). Between March 2009 and October 2012, Mr. Sin was an executive director and the chief financial officer of V1 Group Limited, a company listed on the Stock Exchange (Stock Code: 0082).

Mr. Sin obtained a Master of Science degree in Engineering Economic Systems and Operations Research from Stanford University in June 1997. He also obtained three Bachelor of Science degrees in Mathematics/Computer Science, Economics and Industrial Management from Carnegie Mellon University in May 1996. Mr. Sin is a member of The Hong Kong Institute of Directors. Mr. Sin has become a member of the Tianjin Municipal's Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議) since January 2018.

Mr. Sin does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 December 2017, Mr. Sin did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

Dr. Yung Bruce Pak Keung, aged 56, was appointed as an independent non-executive Director on 19 June 2017. He is a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. Dr. Yung is responsible for giving strategic and independent advice and guidance on the Group's business and operations.

Dr. Yung has been the founder and managing director of BVB Group Ltd, a development and advisory firm in the renewables, sustainability and energy spaces, since September 2015. He is also a senior advisor to Canaccord Genuity (Hong Kong) Limited, as well as a director of MissionBlue Capital Advisors Limited.

Dr. Yung had assumed various positions in companies listed on the Stock Exchange, including chief executive officer and executive director of Brightoil Petroleum (Holdings) Limited (Stock Code: 933) from July 2014 to August 2015; and managing director and executive director of China Renewable Energy Investment Limited (Stock Code: 987) from August 2009 to September 2012. He had also held numerous management positions in international companies, including managing director and vice president of Business Development of First Solar China from September 2012 to December 2013.

Dr. Yung obtained a Doctor of Philosophy degree and a Bachelor of Science degree (with Honours) in Chemical Engineering from the University of Birmingham, U.K., in July 1987 and July 1983, respectively. He also obtained a Master of Business Administration degree (distance learning) from Henley Management College, U.K., in November 2012. He completed the 174th session of the Advanced Management Program of Harvard Business School in May 2008. Dr. Yung was admitted as a member of the Hong Kong Institute of Directors since January 2012; a member of the Association of Cost Engineers, U.K., in June 1993; a member of the Institution of Gas Engineers, U.K., in February 1992; a corporate member of the Institution of Chemical Engineers, U.K., in November 1990.

Dr. Yung does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 December 2017, Dr. Yung did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

Mr. Szeto Yuk Ting, aged 50, was appointed as an independent non-executive Director on 19 June 2017. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Szeto is responsible for giving strategic and independent advice and guidance on the Group's business and operations.

Mr. Szeto was admitted as a solicitor in Hong Kong in September 1992 and had over 25 years of legal experience. His major areas of practice include civil and criminal litigation, conveyancing and probate. Mr. Szeto co-founded Messrs. Y.T. Szeto & Company, Solicitors in September 1996 and has been the sole proprietor of the firm since January 2001. He also worked in Messrs. Paul Chan & Co., Solicitors from 1993 to 1996.

Mr. Szeto obtained a Postgraduate Certificate in Laws and a Bachelor of Laws degree (with Honours) from the University of Hong Kong in June 1990 and December 1989, respectively.

Mr. Szeto does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 December 2017, Mr. Szeto did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

SENIOR MANAGEMENT

Ms. Leung Pui Yee, aged 39, is the Chief Financial Officer and company secretary of the Company, and is responsible for supervising financial reporting, corporate finance, treasury, tax and other financial related matters, and overseeing investment activities and transactions of the Group. She has also assumed various positions in the Company's subsidiaries including a director of each of Evergreen Products Factory (BD) Ltd. and Gold Timing Manufacture (BD) Limited.

Ms. Leung joined the Group in May 2011 as financial controller and was appointed as the Chief Financial Officer and company secretary of the Company on 9 September 2016. Ms. Leung has over 13 years of experience in accounting and financial management. Prior to joining the Group, from September 2003 to September 2010, Ms. Leung worked at Deloitte Touche Tohmatsu, an international accounting firm, and her last position was manager.

Ms. Leung obtained a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in November 2003. Ms. Leung has been a certified public accountant of the Hong Kong Institute of Certified Public Accountants since February 2011. She is a fellow member of the Association of Chartered Certified Accountants and a member of the Hong Kong Institute of Certified Public Accountants.

Mr. Hui Wing Ki, aged 39, is a senior manager of the Company and is primarily responsible for procurement of human hair and sales and marketing of high-end human hair extension.

Mr. Hui joined the Group in August 2001 as marketing executive and accumulated over 15 years of experience in sales and marketing. He was promoted to be a senior manager in January 2012. As the Company's senior manager, Mr. Hui focuses on procurement of human hair, including budget estimates and quality and inventory control; sales and marketing of high-end human hair extension; supervision of sales and marketing in Caucasian and Asian markets; and identification of potential growth of existing customers as well as development of new customers in line with the Group's objectives in Caucasian and Asian markets.

Mr. Hui obtained a Bachelor of Business Administration degree in China Business Studies (Marketing) from Hong Kong Baptist University in December 2001.

Corporate Governance Report

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

The Company has adopted the principles as set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Board is of the view that, the Company has complied with all the code provisions as set out in the CG Code throughout the period from the Listing Date to 31 December 2017, save and except for code provision A.2.1, which states that the roles of chairman and chief executive should be separate and should not be performed by the same individual, details of which are set out below:

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

CORPORATE GOVERNANCE PRINCIPLES AND THE COMPANY'S PRACTICES

A. DIRECTORS

A.1. Board of Directors

The Company should be headed by an effective Board which should assume responsibility for leadership and control of the Company and be collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. Directors should take decisions objectively in the interests of the Company.

The Board shall resolve to provide separate independent professional advice to the Directors to assist the Directors to discharge their duties at the Company's expenses.

A.2. Chairman and Chief Executive Officer

There are two key aspects of the management of the Company – the management of the Board and the day-to-day management of the Company's business. There should be a clear division of these responsibilities at the Board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

In view of the present composition of the Board, the in-depth knowledge of Mr. Chang Yoe Chong Felix, the Chairman and the Chief Executive Officer, of the Company's operations and the wigs industry in general, his extensive business network and connections, and the scope of operations of the Company, the Board believes that it is in the best interest of the Company for Mr. Chang Yoe Chong Felix to assume the roles of both the Chairman and the Chief Executive Officer.

A.3. Board Composition

The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company. The Board should ensure that changes to its composition can be managed without undue disruption. The Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board to enable effective exercise of independent judgment. Non-executive Directors should be of sufficient calibre and number for their views to carry weight.

The Board comprises five executive Directors, namely, Mr. Chang Yoe Chong Felix, Mr. Kwok Yau Lung Anthony, Mr. Chan Kwok Keung, Ms. Jia Ziying and Mr. Li Yanbo; three non-executive Directors, namely, Mr. Chang Chih Lung, Mr. Chan Lau Yui Kevin and Mr. Chan Hoi Sing Harold; and four independent non-executive Directors, namely, Mr. Lau Ip Keung Kenneth, Mr. Sin Hendrick, Dr. Yung Bruce Pak Keung and Mr. Szeto Yuk Ting.

Mr. Chang Yoe Chong Felix is the Chairman of the Board. Mr. Chang Yoe Chong Felix is the son of Mr. Chang Chih Lung.

The Company has complied with Rules 3.10(1) and 3.10(2) of the Listing Rules in relation to the appointment of at least three independent non-executive Directors with one of whom, being Mr. Sin Hendrick, possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the requirements set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Biographies of the Directors including the necessary details of the relationships among the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report, which demonstrate a diversity of skills, expertise, experience and qualifications among members of the Board.

A.4. Appointments, Re-election and Removal of Directors

There should be formal, considered and transparent procedures for the appointment of new Directors to the Board. There should be plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals. The Company must explain the reasons for the resignation or removal of any Director.

Code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. The non-executive Directors (including independent non-executive Directors) of the Company are appointed for a specific term of three years commencing from the Listing Date, subject to renewal after the expiry of the current term.

According to article 108 of the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation or at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

According to article 112 of the articles of association of the Company, any Director appointed to fill a casual vacancy or as an additional Director shall hold office only until the first general meeting of the Company after such appointment and be subject to re-election at such meeting.

A.5. Responsibilities and Delegation of Directors

The Board oversees the overall management of the Company's businesses and affairs. The Board's primary duty is to ensure the viability of the Company and to ascertain that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

The Board reserves its decision for all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company.

The Board has delegated the day-to-day management of the Company's businesses to the management and the executive committee of the Company, and focuses its attention on matters affecting the Company's long-term objectives and plans for achieving these objectives, the overall business and commercial strategy of the Group as well as overall policies and guidelines.

From the Listing Date, all Directors have been provided, on a quarterly basis, with the Group's management information updates, giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects in sufficient detail to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

All Directors are entitled to access Board papers, minutes and related materials. Where queries are raised by Directors, steps are taken to respond as promptly and fully as possible.

A.6. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules. All Directors have confirmed, following enquiry by the Company, that they have complied with the required standard set out in the Model Code during the period from the Listing Date to 31 December 2017.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

A.7. Corporate Governance Functions

The Audit Committee is responsible for performing the functions as set out in code provision D.3.1 of the CG Code.

During the Year, the Audit Committee has reviewed the Company's corporate governance policies and practices, training and continuous professional development ("**CPD**") of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance with the CG Code and the disclosures in this report.

A.8. Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director would receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction would be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate CPD training to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Directors are required to provide the Company with details of the CPD training undertaken by them from time to time. Based on the details so provided, the CPD training undertaken by the Directors in the Year is summarized as follows:

Name	Attending internal seminars and training on the Model Code and corporate governance	Attending seminars/ workshops on Directors' responsibilities and other related issues	Reading relevant news alerts, newspapers, journals, magazines, relevant publications and guidelines on Directors' continuous responsibilities, corporate governance and other related issues
Executive Directors			
Mr. CHANG Yoe Chong Felix *(Chairman and Chief Executive Officer)*	✓	✓	✓
Mr. KWOK Yau Lung Anthony *(Chief Operating Officer)*	✓	✓	✓
Mr. CHAN Kwok Keung	✓	–	✓
Ms. JIA Ziying	✓	✓	✓
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	–	–	✓

Each of the Directors has complied with code provision A.6.5 of the CG Code. The Directors have confirmed that they have devoted sufficient time and attention to the affairs of the Group. Besides, the Directors have disclosed to the Company their interests as director and other office in other public companies and organizations in a timely manner and updated the Company on any subsequent changes.

B. BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs and delegated its authority to these committees to assist it in the implementation of its functions.

The terms of reference setting out the authorities, duties and responsibilities of the above committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

B.1. Audit Committee

On 19 June 2017, the Board established the Audit Committee which currently comprises four independent non-executive Directors, namely Mr. Sin Hendrick (Chairman), Mr. Lau Ip Keung Kenneth, Dr. Yung Bruce Pak Keung and Mr. Szeto Yuk Ting. The Company has complied with Rule 3.21 of the Listing Rules, which requires that the Audit Committee must comprise a minimum of three members with at least one member being an independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise, and must be chaired by an independent non-executive Director. All members of the Audit Committee have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company.

B.1.1. Duties of the Audit Committee

The Audit Committee is principally responsible for, among other things, monitoring the integrity of periodical financial statements of the Company, reviewing significant financial reporting judgments contained in them before submission to the Board for approval, reviewing and monitoring the external auditor's independence and objectivity as well as the effectiveness of the audit process in accordance with applicable standards.

The Audit Committee has been delegated with the responsibilities to develop, review, monitor, and make recommendations to the Board (as appropriate) in respect of the Company's policies and practices of corporate governance (including the compliance with the CG Code and the relevant disclosures in the Company's interim and annual reports), whether the practices are in compliance with legal and regulatory requirements, the Company's compliance with the CG Code and disclosures in this report, and the training and continuous professional development of the Directors and senior management of the Company.

In compliance with the new requirements relating to risk management and internal control stipulated in the CG Code, the Board delegated the duties of overseeing and reviewing the Company's risk management and internal control systems to the Audit Committee in June 2017.

B.1.2. Work Performed by the Audit Committee

The Audit Committee held a meeting during the period from the Listing Date to 31 December 2017, at which it reviewed the unaudited interim results of the Group for the six months ended 30 June 2017 and other matters related to the financial and accounting policies and practices of the Company as well as the nature and scope of the audit for the Year. Further, it reviewed the Group's internal control review report, the risk management policy and a report on risk assessment prepared by CLG Financial Advisory Limited (an independent advisor of the Company) (the "**Independent Advisor**"); and put forward relevant recommendations to the Board for approval.

On 27 March 2018, the Audit Committee held another meeting and reviewed the audited consolidated financial statements of the Group as well as the accounting principles and policies for the Year in the presence of the representatives from Deloitte Touche Tohmatsu, the Company's independent auditor ("**Deloitte**" or the "**Independent Auditor**"), and the Company's management. It also reviewed this report and an internal control review report and a report on enterprise risk management on the Company prepared by the Independent Advisor.

B.2. Remuneration Committee

On 19 June 2017, the Board established the Remuneration Committee which currently comprises five members, including four independent non-executive Directors, namely Mr. Szeto Yuk Ting (Chairman), Mr. Lau Ip Keung Kenneth, Mr. Sin Hendrick and Dr. Yung Bruce Pak Keung and an executive Director, Mr. Chang Yoe Chong Felix.

The Remuneration Committee has adopted the model under code provision B.1.2(c)(ii) of the CG Code, where it performs an advisory role to the Board by making recommendations to the Board on the remuneration packages of the Directors and the senior management of the Company, with the Board retaining the final authority to approve the remuneration packages of such individuals.

B.2.1. Duties of the Remuneration Committee

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board, in consultation with the Chairman of the Board, on an appropriate policy and framework for all aspects of remuneration of all Directors and senior management of the Company, including but not limited to Directors' fees, salaries, allowances, bonuses, share options, benefits in kind and pension rights, to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality to manage the Company successfully.

B.2.2. Work Performed by the Remuneration Committee

The Remuneration Committee held a meeting during the period from the Listing Date to 31 December 2017 to discuss the Company's remuneration-related matters. All members of the Remuneration Committee had also deliberated on matters relating to the director's fee of independent non-executive Directors, the remuneration package of, payment of bonuses and grant of share awards to, certain executive Directors and senior management of the Company during the Year. No Director was involved in deciding his own remuneration at the meeting of the Remuneration Committee.

The remuneration of the members of the senior management of the Group by band for the Year is set out below:

Remuneration band	Number of persons
HK$500,000 to HK$1,000,000	3
HK$100,000 to HK$1,500,000	1

B.3. Nomination Committee

On 19 June 2017, the Board established the Nomination Committee which currently comprises five members, including an executive Director, Mr. Chang Yoe Chong Felix (Chairman) and four independent non-executive Directors, namely Mr. Lau Ip Keung Kenneth, Mr. Sin Hendrick, Dr. Yung Bruce Pak Keung and Mr. Szeto Yuk Ting.

B.3.1. Duties of the Nomination Committee

The principal duties of the Nomination Committee include reviewing the composition of the Board, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of the independent non-executive Directors.

In assessing the composition of the Board, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Board diversity policy adopted by the Company, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service, etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board and, where necessary, recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Company has adopted procedures for nomination of a new Director, pursuant to which (i) an interview will be conducted with the prospective candidates; and (ii) the Board will consider and, if thought fit, approve the appointment of a new Director by way of Board meeting or written resolution. To ensure that a newly appointed Director will have a proper understanding of the operations and business of the Company and is fully aware of his/her responsibilities under all applicable laws and regulations (including the Listing Rules), he/she will be provided with a comprehensive, tailored made and formal induction on the first occasion of his/her appointment.

Since the Listing Date up to 31 December 2017, no meeting of Nomination Committee had been held as it was not necessary to review the size and composition of the Board and identify any new Board member due to the short period of time subsequent to the Listing in 2017. Starting from the year of 2018, the Nomination Committee will meet at least once per year prior to the holding of the annual general meeting of the Company.

C. ATTENDANCE RECORD AT MEETINGS

During the period from the Listing Date up to 31 December 2017, four Board meetings, one meeting of the Audit Committee and one meeting of the Remuneration Committee were held, while no general meetings of the Company had been held. Attendance of individual Directors at such meetings are as follows:

	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting
Number of meetings	4	1	1
Executive Directors			
Mr. Chang Yoe Chong Felix *(Chairman and Chief Executive Officer)*	3	N/A	0
Mr. Kwok Yau Lung Anthony *(Chief Operating Officer)*	3	N/A	N/A
Mr. Chan Kwok Keung	1	N/A	N/A
Ms. Jia Ziying	1	N/A	N/A
Mr. Li Yanbo	1	N/A	N/A
Non-executive Directors			
Mr. Chang Chih Lung *(Founder and Honorary Chairman)*	0	N/A	N/A
Mr. Chan Lau Yui Kevin	4	N/A	N/A
Mr. Chan Hoi Sing Harold	3	N/A	N/A
Independent Non-executive Directors			
Mr. Lau Ip Keung Kenneth	3	1	0
Mr. Sin Hendrick	3	1	1
Dr. Yung Bruce Pak Keung	3	1	1
Mr. Szeto Yuk Ting	3	1	1

Directors are consulted to include matters in the agenda for regular Board meetings.

Dates of regular Board meetings are scheduled at least 14 days in advance to provide sufficient notice to give all Directors an opportunity to attend. For all other Board meetings, a reasonable period of notice will be given.

Directors have access to the advice and services of the company secretary of the Company to ensure that Board procedures and all applicable rules and regulations are followed.

Minutes of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee are kept by the company secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Minutes of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee have recorded in sufficient detail the matters considered by the Board and the committees, decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of such minutes would be sent to all Directors for their comments and records.

D. ACCOUNTABILITY AND AUDIT

D.1. Financial Reporting

The Directors acknowledge that they are responsible for overseeing the preparation of the financial statements which give a true and fair view of the financial position of the Group and of the financial performance and cash flows for such reporting period. In doing so, the Directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the accounting and finance staff, the Directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

More detailed descriptions of the changes in accounting policies (if any) and the related financial impacts are included in the audited consolidated financial statements of the Group for the Year.

D.2. Independent Auditor's Reporting

The statement by the Independent Auditor about its reporting and auditing responsibilities for the financial statements is set out in the Independent Auditor's Report contained in this annual report.

D.3. Independent Auditor's Remuneration

The fees in respect of the audit and non-audit services provided to the Group by the Independent Auditor for the Year amounted to approximately HK$1.4 million and HK$2.2 million, respectively. The non-audit services mainly consisted of tax assessment review, interim review and reporting accountant fee of the Group for the Year.

E. INTERNAL CONTROLS AND RISK MANAGEMENT REPORT

The Board is directly responsible for risk management and the internal control systems of the Group and reviewing their effectiveness. The systems are designed for the Group to identify and manage significant risks to achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The systems are designed to manage rather than to eliminate the risk of failure in order to achieve the business objectives of the Group, and can only serve as reasonable, but not absolute, assurance against material misstatement or loss. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design and implementation and the overall effectiveness of risk management and internal control systems. The Board conducts and reviews the effectiveness of such systems on an annual basis through the Audit Committee which is responsible for all material controls, including financial, operational and compliance controls.

The Board has adopted a comprehensive risk management policy to identify, evaluate and manage significant risks. The Group can thereby identify risks which might adversely affect the achievement of the Group's objectives, and assess as well as prioritise the level of risk, in order to draw up risk mitigation plans which can then be established to respond to such significant risks.

The Company had an internal function to conduct internal control on certain significant areas of the Group during the Year. In addition, the Group has engaged the Independent Advisor to provide internal audit services, which assisted the Board and the Audit Committee in ongoing monitoring of the risk management and internal control systems of the Group. The Board, through the Audit Committee, has also reviewed the adequacy of the Group's resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting functions.

An internal control and risk management report would be submitted to the Audit Committee and the Board of Directors at least once a year. During the Year, the Board, through the Audit Committee, conducted an annual review on the effectiveness of the Group's risk management and internal control systems, including financial, operational and compliance controls and risk management functions, including but not limited to the Group's ability to cope with its business transformation and changing external environmental in terms of significant risks, the scope and quality of management's ongoing monitoring of risks and of the internal controls systems and results of internal audit work, the extent and frequency of communication of monitoring results to the Board in relation to the result of risk and internal control review, significant control failing or weakness having been identified and their related implications, and status of compliance with the Listing Rules. The Board is of the opinion that the Group's risk management and internal control systems were adequate and effective throughout the Year.

F. HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has put in place a policy on handling and dissemination of inside information which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way to avoid placing any person in a privileged dealing position. The inside information policy also provides guidelines to employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory and Listing Rules disclosure requirements. The Company has appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

G. COMPANY SECRETARY

Ms. Leung Pui Yee, an employee of the Company, has been appointed as the company secretary of the Company. During the Year, Ms. Leung has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

H. COMMUNICATION WITH SHAREHOLDERS

H.1. Effective Communication

On 19 June 2017, the Board adopted a shareholders' communication policy reflecting mostly the current practices of the Company for communication with its shareholders. Such policy aims at providing the shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. It will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Company's website at www.epfhk.com and the Stock Exchange's website at www.hkexnews.hk;

(ii) periodic announcements are made through the Stock Exchange and published on websites of the Company and the Stock Exchange, respectively;

(iii) corporate information is made available on the Company's website and the articles of association of the Company is made available on websites of the Company and the Stock Exchange, respectively;

(iv) annual general meetings and other general meetings of the Company provide a forum for the shareholders to make comments and exchange views with the Directors and senior management of the Company; and

(v) the Company's share registrar serves the shareholders in respect of share registration, dividend payment, change of shareholders' particulars and related matters.

During the period from the Listing Date up to the date of this report, no general meeting had been held.

The Chairman of the Board and the chairmen of the Audit Committee and the Remuneration Committee shall attend the upcoming annual general meeting of the Company to answer questions from shareholders.

H.2. Procedures for Convening an Extraordinary General Meeting by Shareholders

Pursuant to article 64 of the articles of association of the Company, one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company and having the right of voting at general meetings may make a requisition to convene an extraordinary general meeting by a written requisition to the Board or the company secretary either via mail to the Company's principal place of business in Hong Kong at 11th Floor, Chiap Luen Industrial Building, 30-32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong or at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, or via email to info2@epfhk.com. Such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within 21 days of such deposit, the requisitionist(s) himself/themselves may do so in the same manner.

H.3. Procedures for Putting Forward Proposals at General Meetings

Any shareholder who wishes to put forward proposals at a general meeting of the Company shall submit such proposals to the Board in writing for the Board's consideration either via mail to the Company's principal place of business in Hong Kong at 11th Floor, Chiap Luen Industrial Building, 30-32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong or at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, or via email to info2@epfhk.com not less than seven days prior to the date of the general meeting.

H.4. Procedures for Proposing a Person for Election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures titled "Procedures for Shareholders to Propose a Director" made available under the section headed "Investor Relations – Corporate Governance" in the Company's website at www.epfhk.com.

H.5. Procedures for Putting Forward Enquiries to the Board

To put forward any enquiries to the Board, shareholders may send written enquiries to the Company. The Company will normally not deal with verbal or anonymous enquiries.

Address: 11th Floor, Chiap Luen Industrial Building, 30-32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong, for the attention of the Board of Directors/Company Secretary

Email: info2@epfhk.com

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

I. CONSTITUTIONAL DOCUMENTS

The amended and restated memorandum and articles of association of the Company (the "**Amended and Restated M&A**") was adopted on 19 June 2017 and took effect from the Listing Date.

A copy of the Amended and Restated M&A is available on both the websites of the Company at www.epfhk.com and the Stock Exchange at www.hkexnews.hk.

J. INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with its shareholders and potential investors in order to understand the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The Company welcomes suggestions from investors, stakeholders and the public who may contact the Company by phone on (852) 2427 5468 during normal business hours, by fax at (852) 2420 3938 or by e-mail at info2@epfhk.com.

Report of the Directors

The Directors present their report and the audited consolidated financial statements ("**Consolidated Financial Statements**") of the Group for the Year.

PRINCIPAL ACTIVITIES

During the Year, the principal activities of the Group included the manufacturing and trading of hair products. There were no significant changes in the nature of the Group's principal activities during the Year and up to the date of this report.

Particulars of the Company' principal subsidiaries as at 31 December 2017 are set out in Note 41 to the Consolidated Financial Statements.

BUSINESS REVIEW

A fair review of the business of the Group as well as a discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position as required by section 388(2) and Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) ("**Companies Ordinance**") can be found in the section headed "Management Discussion and Analysis" of this annual report. The financial risk management objectives and policies of the Group are set out in Note 38 to the Consolidated Financial Statements.

RESULTS AND DIVIDENDS

Details of the consolidated profit of the Group for the Year and the Group's financial position as at 31 December 2017 are set out in the Consolidated Financial Statements and their accompanying notes on pages 87 to 167.

The Board recommends the payment of a final dividend of HK8.13 cents per Share for the Year (2016: Nil), totalling approximately HK$50.0 million based on a total of 615,000,000 Shares in issue as at the date of this report. During the year ended 31 December 2016, a subsidiary of the Company declared dividends in the amount 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 consolidated financial statements of the Group.

Other than the above, no dividend was paid or declared by the Company or other members of the Group during the years ended 31 December 2016 and 2017.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may cause the Group's financial conditions or results materially different from the expected or historical results can be categorised into the following areas: (i) risks relating to the Group's business and industry; (ii) risks relating to conducting business in Bangladesh; and (iii) risks relating to conducting business in the PRC, as described below:

RISKS WITH REGARD TO LABOUR SUPPLY, INCREASED LABOUR COSTS AND OTHER FACTORS AFFECTING LABOUR SUPPLY FOR THE GROUP'S PRODUCTION

The manufacturing of hair goods is labour intensive. Labour supply is key to being able to ensure the quality of the Group's products. The Group's performance relies on the steady supply of skilled and low-cost labour in Bangladesh and the PRC. The Group's direct labour costs accounted for approximately 44.0% of its total cost of goods sold for the Year (2016: 41.0%). Labour costs are primarily affected by the demand for and supply of labour, laws and regulations governing the industries operating inside the export processing zones, and other economic factors such as the rate of inflation and standard of living. Labour costs may increase due to a shortage of skilled labour or growing industry demands for skilled workers. There is no assurance that supply of skilled workers would not be disrupted or that labour costs would not increase. As such, the Group is subject to the risks associated with labour supply and its respective costs.

RISKS WITH REGARD TO HIGHLY COMPETITIVE INDUSTRY AND COMPETITION AMONG COMPETITORS

The industry in which the Group operates is highly competitive and fragmented. Competitive factors include product quality, price, design and development capability, timely delivery, valuable service, scale and capacity, and efficiency. The Group faces competition from existing and new players in the hair goods industry worldwide, including numerous manufacturers in the PRC and Indonesia which offer similar hair goods at lower prices than it does, as well as other enterprises which offer an increasing number of related products which could be used as substitutes for the Group's products. The Group's competitors conduct operations in Indonesia, Bangladesh, Cambodia or other developing countries where labour costs are relatively lower, and as a result they may adopt more competitive pricing strategies and achieve greater scales of production at lower production costs. In addition, margin pressure could arise from, among other factors, limited demand growth and overcapacity in a relevant market, price reductions by competitors, new industry players, industry consolidation, and the ability of competitors to capitalise on their economies of scale and create excess product supply.

Moreover, the entry barriers to the hair goods industry are relatively low as hair goods do not require advanced technology to produce and a small amount of production of these products does not require intensive capital investment. The Group therefore faces intense domestic and foreign competition in terms of production and sales. In the overseas market, enterprises located in central and southern Asian regions where hair goods may be commonly produced (for example, India and Pakistan) have been very competitive in terms of cost as there are cheap and abundant supplies of labour. In response to increasing labour and rental costs in the PRC, some PRC manufacturers are shifting their manufacturing bases from the PRC to various Asian countries such as Indonesia and Bangladesh.

To compete effectively, the Group may be forced, among other actions, to reduce prices, provide more sales incentives to customers and increase capital expenditures in the Group's labour force, plant, property and equipment. Any or a combination of these events may reduce the Group's profitability which could, in turn, adversely affect the Group's business, financial condition, results of operations and prospects. Any intensification of the competition or failure by us to compete successfully with the Group's competitors could have an adverse impact on the demand for, and pricing of, the Group's products, and as a result, could result in a reduction of the Group's market share and have an adverse effect on the Group's business, financial condition, results of operations and prospects.

RISKS WITH REGARD TO SIGNIFICANT RELIANCE ON SALES IN THE UNITED STATES AND OTHER INTERNATIONAL MARKETS

A significant portion of the Group's revenue is derived from international markets, in particular, the United States. For the Year, the Group derived 93.3% (2016: 91.9%) of the Group's revenue from outside the PRC and derived 80.5% (2016: 76.3%) of the Group's revenue from sales to the United States. As the Group relies heavily on international sales and sales to the United States, the economic conditions of these regions have had and will continue to have a significant impact on the Group's sales and business. Any significant downturn in the global economy and particularly in the local economies of the United States could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

RISKS WITH REGARD TO FAILURE ON DESIGN, RESEARCH AND DEVELOPMENT OF NEW HAIR GOODS AND LOSE THE GROUP'S COMPETITIVENESS

The sales of hair goods to a specific sales market are subject to several factors, including consumers' taste, design, fashion trends and usage. There may be changes in fashion trends and consumers may have a change in preference towards certain hair goods in the future. The Group's future success depends upon ability to address the changes in consumer trends by developing and introducing new and innovative products on a timely basis and in accordance with changing demands. The Group's market research regarding the latest trends of hair goods may be inaccurate, or the Group may fail to appreciate the change in customer preferences.

RISKS WITH REGARD TO FAILURE TO FULLY IMPLEMENT THE GROUP'S EXPANSION PLANS IN BANGLADESH

The Group intends to expand its production capacity by investing in new production facilities and upgrading existing facilities in Bangladesh. The Group plans to commence the construction of a bleaching and dyeing complex in Bangladesh, the first phase of which is scheduled to be completed by the end of 2018. The Group also has plans to construct and complete a total of four new production facilities in Bangladesh by the end of 2019.

The Group's growth and future success will be dependent upon, among other factors, the successful completion of proposed expansion plans and sufficient demand for the Group's products. The upgrade or construction of any of the Group's production facilities may be adversely affected by delays and cost overruns. Factors that may contribute to delays and cost overruns with respect to the Group's expansion or upgrade include increased costs of land acquisition in Bangladesh, increases in the cost of, or inability to secure, financing, risks relating to construction, changes in safety and/or environmental requirements, delay or failure in obtaining necessary government approvals, changes in general economic conditions in Bangladesh, adverse weather conditions, natural disasters, accidents, unanticipated changes in government policies and other unforeseen circumstances and problems. A significant delay in the completion of these projects or a material increase in the costs of these projects could adversely affect the competitive advantage that we hope to achieve by undertaking such projects and may also divert the Group's resources away from the Group's other business operations.

RISKS WITH REGARD TO ANY DISRUPTION IN SUPPLIERS' SUPPLY THAT COULD HAVE AN ADVERSE EFFECT ON THE GROUP'S BUSINESS, RESULTS OF OPERATIONS, FINANCIAL CONDITION AND PROSPECTS

The Group's five largest suppliers collectively supplied raw materials comprising 32.9% (2016: 33.7%) of the Group's cost of goods sold during the Year. The Group's largest supplier supplied raw materials comprising 23.1% (2016: 23.2%) of the Group's cost of goods sold. Some of the synthetic fibres that the Group uses in the manufacturing of products are not able to be readily sourced from other suppliers. If there is any decrease or disruption in supply or an increase in prices by one or more of the Group's major suppliers, particularly the Group's largest supplier, or any termination of the Group's business relationships with the Group's major suppliers and any failure to find replacement suppliers on similar or favourable terms in a timely manner, the Group's business, results of operations, financial condition and prospects could be adversely affected.

In general, the Group does not enter into any long-term supply agreements, which exposes the Group to uncertainty and potential volatility with respect to the Group's costs of raw materials and supply of raw materials. The prices of most of the Group's raw materials generally follow the price trends of, and vary with, prevailing market conditions. There is no assurance that the Group can continue to secure adequate supplies of raw materials at a competitive cost level to meet its production requirements. If the Group experiences any interruption, reduction or termination in supply of raw materials from its suppliers, or is unable to find a substitute material to meet the Group's production schedule or to produce or at all, the Group might not be able to have a stable and adequate supply of raw materials needed for the production of its products.

RISKS WITH REGARD TO POTENTIAL FINANCIAL DIFFICULTIES IF THE GROUP FAILS TO MAINTAIN SUFFICIENT WORKING CAPITAL

As at 31 December 2017, the Group recorded net cash used in operating activities of HK$1.5 million (2016: net cash from operating activities of HK$29.2 million) and net cash from financing activities of HK$159.6 million (2016: HK$93.2 million). The net cash used in operating activities during the Year mainly arose from the payment of one-off, non-recurring and non-capitalised part of Listing-related expenses of HK$20.6 million (2016: HK$7.9 million). During the Year, the Group had used net cash of HK$129.3 million (2016: HK$101.5 million) in its investing activities. The Group had total bank borrowings of HK$505.9 million (2016: HK$503.7 million), out of which HK$363.9 million (2016: HK$321.4 million) will be due within one year. Also, the Group had cash and cash equivalents of HK$91.2 million (2016: HK$60.4 million) and unutilised bank credit facilities of HK$78.1 million (2016: HK$60.7 million). While the Group has in the past financed its working capital needs primarily with cash generated from operating activities and borrowings, there is no assurance that the Group will always be able to generate net cash from operating activities or that banking facilities or other loans will always be available to it on commercially acceptable terms, or at all. Even if the Group is able to obtain new borrowings, any increased level of indebtedness could have a negative impact on the Group's business. For example, any increase in finance expenses could lower the Group's profitability, and the banking facilities that the Group may enter into may contain covenants limiting its flexibility in planning for, or reacting to, changes in its business. The Group may even be in breach of certain covenants in existing bank facilities by increasing its level of indebtedness.

RISKS WITH REGARD TO CONDUCTING BUSINESS IN BANGLADESH

The Group's principal manufacturing capacities are currently housed in the Bangladesh Factory. As at 31 December 2017, the Group had a total of 16,629 employees (2016: 12,918 employees) in Bangladesh. The Group intends to continue to expand its production capacity and increase the scope of operations in Bangladesh. Operating in developing countries exposes the Group to risks associated with regional, political and economic instabilities that could have a disproportionately negative effect on the Group's business, financial condition, results of operations and prospects.

The application of the laws in emerging-market countries such as Bangladesh is not always clear or consistent. The legislative drafting has not always kept pace with the demands of the marketplace, which can make it difficult to ensure that the Group is in compliance with changing legal requirements. Moreover, the government has the broad discretion in the grant of its licences and permits, including revocation for public interests. In addition, regulations are often introduced that require the Group to implement changes that are costly and technologically challenging. The regulators responsible for the control and supervision of communications services in Bangladesh frequently check the Group's compliance with the requirements of the applicable regulations. The Group may incur significant costs in implementing such compliance.

Corruption and poor governance in Bangladesh have historically been a hindrance to the Bangladesh government's ability to attract foreign investment and to reduce poverty. Failure of the Bangladesh government to continue to fight corruption or the perceived risk of corruption in Bangladesh could have an adverse effect on the Bangladesh economy, which may adversely affect the Group's business, financial condition, results of operations and prospects.

RISKS WITH REGARD TO CONDUCTING BUSINESS IN THE PRC

The economic, political and social conditions in the PRC, as well as government policies, laws and regulations, could affect the business, financial condition, results of operation and prospects of the Group.

As at the date of this report, the Group had substantial operations in the PRC, including production centres in Kunming, Yunnan, production and research and display centres in Nantou, Shenzhen, and processing and dyeing centre in Yuzhou, Henan. Accordingly, the Group's results of operations and prospects are also subject to economic, political and legal developments in the PRC. The PRC's economy differs from the economies of most developed countries in many respects, including the extent of government involvement, its level of development, its growth rate and its control over foreign exchange. The PRC's economy has been transitioning from a planned economy to a more market-oriented economy. In recent years, the PRC Government has implemented measures emphasising market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises. However, a portion of productive assets in the PRC is still owned by the PRC Government. The PRC Government continues to play a significant role in regulating industrial development. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling payment of foreign currency-denominated obligations, setting monetary policies and providing preferential treatments to particular industries or companies. All of these factors may affect the economic conditions in the PRC and, in turn, the Group's business.

INTEREST RATE RISKS

Most of the Group's borrowings are floating-rate bank loans, which expose the Group to rising interest rates. The Group will closely monitor the interest rate risk and when appropriate adopt measures to manage the associated risk, including but not limited to, the issuance of fixed rate bonds, and use of derivatives such as interest rate swaps and management of the ratio of fixed or floating loan portfolio. The Group has entered into a HK$15,000,000 interest rate swap contract to hedge exposure to the fluctuations of floating-rate bank loans on a monthly basis for the period from July 2016 to July 2021. During the Year, the Group had incurred a net loss of approximately HK$0.4 million (2016: HK$0.1 million) from the transactions under the contract.

CURRENCY RISKS

Please refer to the section headed "Management Discussion and Analysis – Liquidity and Financial Resources – Currency Risks" in this annual report.

DIRECTORS

The Directors during the Year and up to the date of this report are:

EXECUTIVE DIRECTORS

Mr. CHANG Yoe Chong Felix *(Chairman and Chief Executive Officer)*
Mr. KWOK Yau Lung Anthony *(Chief Operating Officer)*
Mr. CHAN Kwok Keung
Ms. JIA Ziying
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

In accordance with article 108(a) of the articles of association of the Company, the executive Directors including Mr. CHANG Yoe Chong Felix, Mr. KWOK Yau Lung Anthony, Mr. CHAN Kwok Keung, Ms. JIA Ziying and Mr. LI Yanbo; the non-executive Directors including Mr. CHANG Chih Lung, Mr. CHAN Lau Yui Kevin and Mr. CHAN Hoi Sing Harold; and the independent non-executive Directors including Mr. LAU Ip Keung Kenneth, Mr. SIN Hendrick, Dr. YUNG Bruce Pak Keung and Mr. SZETO Yuk Ting will retire from office by rotation at the forthcoming annual general meeting of the Company ("**AGM**") and, being eligible, will offer themselves for re-election.

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

CHANGES IN INFORMATION OF DIRECTORS

Changes in information of the Directors since the publication of the interim report of the Company for the six months ended 30 June 2017, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

- Mr. CHANG Yoe Chong Felix, an executive Director, the Chairman and the Chief Executive Officer of the Group, has become a member of the Yunan Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議) since January 2018.

- Mr. SIN Hendrick, an independent non-executive Director, has become a member of the Tianjin Municipal's Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議) since January 2018.

- Dr. YUNG Bruce Pak Keung, an independent non-executive Director, has become a director of MissionBlue Capital Advisors Limited since 11 September 2017.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that, as at the date of this report, all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the AGM has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are supervised by the Remuneration Committee and determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the Directors' remuneration are set out in Note 13 to the Consolidated Financial Statements.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The articles of association of the Company provide that the Directors or other officers of the Company are entitled to be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in Note 36 headed "Related Party Transactions" to the Consolidated Financial Statements, no Director nor an entity connected with a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

No contract of significance concerning the management and administration of the whole or any substantial part of business of the Company or any of its subsidiaries was entered into or subsisted during the Year.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the Year was the Company or any of its subsidiaries, the holding company, a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS OF SUBSIDIARIES

Other than the Directors named in the section headed "Biographical Details of Directors and Senior Management" of this annual report, the persons who had served on the boards of the subsidiaries of the Company during the Year and up to the date of this report include Mr. Chan Wing Shing, Mr. Feng Zhi Hui, Mr. Li San Tung, Mr. Leung Kai Sum, Antony, Mr. Dewan Zakir Hussain, Ms. Loretta Lo and Ms. Francesca Armstrong.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year and up to the date of this report, none of the Directors is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

DEED OF NON-COMPETITION

Each of the controlling shareholders of the Company, namely, Mr. Chang Chih Lung, Mr. Chang Yoe Chong Felix, FC Management Limited, FC Investment Worldwide Limited, CLC Management Limited, CLC Investment Worldwide Limited, Golden Evergreen Limited and Evergreen Enterprise Holdings Limited, has confirmed to the Company his/its compliance with the non-competition undertakings given to the Company under the Deed of Non-competition as defined in the prospectus of the Company dated 29 June 2017.

SHARE OPTION SCHEME

On 19 June 2017 (the "**Adoption Date**"), a share option scheme (the "**Share Option Scheme**") was adopted by the Company. The following is a summary of the principal terms of the rules of the Share Option Scheme:

PURPOSE OF THE SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

WHO MAY JOIN AND BASIS OF ELIGIBILITY

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 at a price calculated in accordance with paragraph (c) below for such number of shares of the Company (the "**Shares**") as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his/her contribution or potential contribution to the development and growth of the Group.

PRICE OF SHARES

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is offered, which must be any day on which the Stock Exchange is open for the business of dealings in securities (the "**Business Day**"); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date on which the option is offered; and (iii) the nominal value of a Share on the date on which the option is offered.

MAXIMUM NUMBER OF SHARES AVAILABLE FOR ISSUE UNDER THE SHARE OPTION SCHEME

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date, i.e. 61,500,000 Shares.

As at the date of this report, the total number of shares available for issue under the Share Option Scheme was 61,500,000 Shares, representing 10% of the Company's issued share capital as at the date of this report.

MAXIMUM ENTITLEMENT OF EACH PARTICIPANT UNDER THE SHARE OPTION SCHEME

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue unless otherwise approved by the shareholders in general meeting.

TIME OF EXERCISE OF AN OPTION

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date on which the option is offered subject to the provisions of early termination thereof.

MINIMUM PERIOD FOR WHICH AN OPTION MUST BE HELD BEFORE IT CAN BE EXERCISED

There is no minimum period for which an option must be held before it can be exercised; however, the Board may, subject to the provisions of the Listing Rules, in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as it may think fit.

AMOUNT PAYABLE ON APPLICATION OR ACCEPTABLE OF AN OPTION

Participants of the Share Option Scheme are required to pay the Company a nominal consideration of HK$1.00 upon acceptance of the grant within seven days from the offer date.

BASIS OF DETERMINING THE EXERCISE PRICE

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is offered, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date on which the option is offered; and (iii) the nominal value of a Share on the date on which the option is offered.

LIFE OF THE SHARE OPTION SCHEME

The Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date and shall expire at the close of business on a Business Day immediately preceding the tenth anniversary thereof.

As at the date of this report, the remaining life of the Share Option Scheme is about nine years and two months.

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.

SHARE AWARD SCHEME

On 11 December 2017, the Company adopted the share award scheme (the "**Share Award Scheme**") in which employees of the Group will be entitled to participate.

The specific objectives of the Share Award Scheme are (i) to recognise the contributions by certain employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

The Share Award Scheme will remain in force for a period of 10 years commencing on its adoption date. The maximum number of Shares issuable pursuant to the Share Award Scheme is 6,150,000 Shares, being 1% of the total issued Shares on its adoption date. Details of the Share Award Scheme are set out in the announcement of the Company dated 11 December 2017.

On 16 January 2018, the Company granted 5,333,334 Shares to certain Directors, senior management and employees under the Share Award Scheme.

As at the date of this report, the Company has granted a total of 5,333,334 Shares under the Share Award Scheme, representing approximately 0.87% of the total issued Shares as at the date of this report.

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

As at 31 December 2017, 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:

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[3]
Mr. Chang Chih Lung	Beneficiary of a trust/Founder of a discretionary trust	336,903,803[1]	54.78%
Mr. Chang Yoe Chong Felix	(i) Beneficiary of a trust/Founder of a discretionary trust	336,903,803[1]	54.78%
	(ii) Beneficial owner	9,790,600[2]	1.59%
	Total	346,694,403	56.37%

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 31 December 2017.

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[3]	Evergreen Holdings[1]	Founder of a discretionary trust/ Beneficiary of a trust	20,000	100%
Mr. Chang Chih Lung[3]	Golden Evergreen[1]	Founder of a discretionary trust/ Beneficiary of a trust	100	100%
Mr. Chang Chih Lung[3]	CLC Investment[1]	Founder of a discretionary trust	2	100%
Mr. Chang Chih Lung[3]	CLC Management[1]	Founder of a discretionary trust	2	100%
Mr. Chang Chih Lung[3]	Evergreen Group Limited[2]	Founder of a discretionary trust/ Beneficiary of a trust	100,000,000	73.04%
Mr. Chang Chih Lung[3]	Ventures Day Investments Limited[2]	Founder of a discretionary trust/ Beneficiary of a trust	100	100%
Mr. Chang Chih Lung[3]	Acemaster Ventures Limited[2]	Founder of a discretionary trust/ Beneficiary of a trust	1	100%
Mr. Chang Chih Lung[3]	Cowden Ventures Limited[2]	Founder of a discretionary trust/ Beneficiary of a trust	1	100%
Mr. Chang Chih Lung[3]	Fast Track Ventures Limited[2]	Founder of a discretionary trust/ Beneficiary of a trust	1	100%
Mr. Chang Chih Lung[3]	Golden Image Ventures Limited[2]	Founder of a discretionary trust/ Beneficiary of a trust	1	100%
Mr. Chang Chih Lung[3]	Market Focus Ventures Limited[2]	Founder of a discretionary trust/ Beneficiary of a trust	1	100%
Mr. Chang Chih Lung[3]	Punchline Ventures Limited[2]	Founder of a discretionary trust/ Beneficiary of a trust	1	100%
Mr. Chang Chih Lung[3]	Smart Plus Ventures Limited[2]	Founder of a discretionary trust/ Beneficiary of a trust	1	100%

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[3]	Eastern Earning (China) Company Limited[4]	Beneficiary of a trust/Founder of a discretionary trust	1,000,000	100%
Mr. Chang Chih Lung[3]	Sunleaf Holdings Limited[4]	Beneficiary of a trust	7,000	70%
Mr. Chang Chih Lung[3]	Loyal Helper Supply Limited[4]	Beneficiary of a trust	100	100%
Mr. Chang Chih Lung[3]	Evergreen Housekeepers Training Center Limited[4]	Beneficiary of a trust	999	99%
Mr. Chang Yoe Chong Felix[3]	Evergreen Holdings[1]	Beneficiary of a trust/ Founder of a discretionary trust	20,000	100%
Mr. Chang Yoe Chong Felix[3]	Golden Evergreen[1]	Beneficiary of a trust/ Founder of a discretionary trust	100	100%
Mr. Chang Yoe Chong Felix[3]	CLC Investment[1]	Beneficiary of a trust	2	100%
Mr. Chang Yoe Chong Felix[3]	CLC Management[1]	Beneficiary of a trust	2	100%
Mr. Chang Yoe Chong Felix[3]	Evergreen Group Limited[2]	Beneficiary of a trust/ Founder of a discretionary trust	100,000,000	73.04%
Mr. Chang Yoe Chong Felix[3]	Ventures Day Investments Limited[2]	Beneficiary of a trust/ Founder of a discretionary trust	100	100%
Mr. Chang Yoe Chong Felix[3]	Acemaster Ventures Limited[2]	Beneficiary of a trust/ Founder of a discretionary trust	1	100%
Mr. Chang Yoe Chong Felix[3]	Cowden Ventures Limited[2]	Beneficiary of a trust/ Founder of a discretionary trust	1	100%
Mr. Chang Yoe Chong Felix[3]	Fast Track Ventures Limited[2]	Beneficiary of a trust/ Founder of a discretionary trust	1	100%

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

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.

(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.

(4) Each of Loyal Helper Supply Limited and Evergreen Housekeepers Training Center Limited is 100% owned by Sunleaf Holdings Limited, which is 70% owned by Eastern Earnings (China) Company Limited. Eastern Earnings (China) Company Limited is 51% owned by FC Investment, which is 100% held by FC Management. Accordingly, 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.

(5) Such shares are held by Prince Orchid Limited, which is 100% owned by Mr Chang Yoe Chong Felix.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2017, none of the Directors or the chief executives of the Company had any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

So far as the Directors are aware, as at 31 December 2017, 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 the Company[4]
Evergreen Holdings[1]	Beneficial owner	336,903,803	54.78%
Golden Evergreen[1]	Interest in controlled corporation	336,903,803	54.78%
FC Investment[1]	Interest in controlled corporation	336,903,803	54.78%
FC Management[1]	Interest in controlled corporation	336,903,803	54.78%
CLC Investment[1]	Interest in controlled corporation	336,903,803	54.78%
CLC Management[1]	Interest in controlled corporation	336,903,803	54.78%
HSBC International Trustee Limited[1]	Trustee of a trust	336,903,803	54.78%
Ms. Wong Hor Yan[2]	Interest of spouse	346,694,403	56.37%
SEAVI Advent Investments Ltd. (“**SEAVI Advent**”)[3]	Beneficial owner	110,746,197	18.01%
SEAVI Advent Equity V (A) Ltd[3]	Interest in controlled corporation	110,746,197	18.01%

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 31 December 2017.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2017, 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.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in Note 36 headed "Related Party Transactions" to the Consolidated Financial Statements, at no time during the Year had the Company or any of its subsidiaries, and any of the controlling shareholders (as defined in the Listing Rules) of the Company or any of their subsidiaries (as the case may be) entered into any contract of significance or any contract of significance for the provision of services by any such controlling shareholders or their subsidiaries (as the case may be) to the Company or any of its subsidiaries.

CONTINUING CONNECTED TRANSACTIONS

The related party transactions as disclosed in Note 36 headed "Related Party Transactions" to the Consolidated Financial Statements for the Year constitute de minimis continuing connected transactions of the Company and are fully exempt from the reporting, annual reviews, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Therefore, the Independent Auditor has not been engaged to report on such transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) – "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*". No letter is prepared by the Independent Auditor with reference to Practice Note 740 – "*Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business of the Group during the Year are provided under Note 36 to the Consolidated Financial Statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by businesses and geographical areas of the operations for the Year is set out in Note 7 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in Note 17 to the Consolidated Financial Statements.

SHARES ISSUED IN THE YEAR

Details of the ordinary shares issued by the Company during the Year are set out in Note 29 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2017, the Company had reserves available for distribution to the Shareholders of approximately HK$61.6 million.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Main Board of 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$204.7 million.

During the period between the Listing Date and 31 December 2017, the net proceeds were utilized in accordance with the purpose as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 June 2017.

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** *HK$ million*	**Utilised as at the date of this report** *HK$ million*	**Utilised as at the date of this report** *%*
(i) Construction of additional production facilities in the Group's Bangladesh production base	100.7	52.0	51.6%
(ii) Relocation of the Group's research and display centre and sales office in Dongguan, Guangdong	20.5	–	–
(iii) Expansion of the Group's business, including establishing sales offices for high-end human hair extensions in Asia, further development of the Group's e-commerce business, and expansion of the Group's Halloween costume sales	22.1	3.2	14.5%
(iv) Repayment of outstanding trust receipt loans	40.9	40.9	100.0%
(v) Working capital and general corporate purposes	20.5	20.5	100.0%
Total utilisation	204.7	116.6	57.0%

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

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained the prescribed public float under the Listing Rules during the Year and up to the date of this report.

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

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2017 are set out in Note 26 to the Consolidated Financial Statements.

KEY PERFORMANCE INDICATORS ("KPI")

(i) Gross profit margin

- Definition and calculation: Gross profit margin is derived by dividing gross profit by revenue for a given year.

- Purpose: The Group aims to enhance its gross profit margin. The extent to which this objective has been achieved is assessed by comparing the Group's gross profit margin from one year to the next, as it is an indicator showing the Group's profitability.

- Quantified KPI data: The gross profit margin was approximately 35.6% for the Year (2016: approximately 35.5%).

(ii) Net profit margin

- Definition and calculation: Net profit margin is derived by dividing profit for a given year by revenue for that year.

- Purpose: The Group emphasises cost control. The net profit margin provides direction for a better control and utilisation of expenses. The extent to which this objective has been achieved is assessed by comparing the Group's net profit margin from one year to the next, as it is an indicator showing the Group's earnings from its business operations and other related activities.

- Quantified KPI data: The net profit margin was approximately 16.9% for the Year (2016: approximately 5.5%). The significant increase in net profit margin was primarily attributable to: (i) two one-off and non-recurring Listing-related items including a gain of HK$32.1 million from a change in fair value of the Preferred Shares (2016: loss of HK$39.3 million) and net off against the listing expenses of HK$15.3 million (2016: HK$14.0 million); and (ii) an increase in net profit arising from the manufacturing and sale of hair products. Without taking into account the change in fair value of the Preferred Shares and the listing expenses, the Group's adjusted net profit margin for the Year would have been 14.3% (2016: 14.5%). The term "adjusted net profit margin" is not defined in the Hong Kong Financial Reporting Standards (HKFRS). The use of "adjusted net profit margin" has material limitations as an analytical tool, as the term does not include all items that impact the Group's net profit margin for the Year.

(iii) Gearing ratio

- Definition and calculation: Gearing ratio is derived by dividing total interest-bearing debt (including secured bank borrowings, obligations under finance leases and redeemable convertible preferred shares) by total equity as at the end of a given year.

- Purpose: The Group monitors its capital structure based on gearing ratio. Gearing ratio provides direction for the Group to optimise its financing and business development activities. The extent to which this objective has been achieved is assessed by comparing the Group's gearing ratio from one year to the next, as it is an indicator showing the Group's level of leverage.

- Quantified KPI data: The Group's gearing ratio was approximately 75.3% (2016: 495.4%) for the Year. The significant decrease in gearing ratio for the Year primarily reflected the conversion of the Preferred Shares, an increase in the share capital and the share premium of the Company as a result of the Listing during the Year and netting-off effect from an increase in secured bank borrowings. All the Preferred Shares were converted, on a one-to-one basis, into 36,908,517 Shares immediately prior to the Listing.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totaling approximately HK$2.7 million (2016: HK$1.0 million).

MAJOR CUSTOMERS AND SUPPLIERS

The revenue attributable to the Group's five largest customers and the largest customer accounted for 54.9% and 14.6%, respectively, of the Group's total revenue for the Year.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 32.9% and 23.1%, respectively, of the Group's total purchases for the Year.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any shareholders of the Company (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had any beneficial interest in the Group's five largest suppliers and customers for the Year.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

The Group has compliance policies and procedures in place to ensure adherence to applicable laws, rules and regulations, in particular, those that have a significant impact on it. The Group would seek professional legal advice from its legal advisers to ensure that transactions and business to be performed by the Group are in compliance with the applicable laws and regulations. During the Year, the Group was not aware of any non-compliance with any relevant laws and regulations that had a significant impact on it.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and to adopt effective measures to achieve efficient use of resources, energy saving and waste reduction. The Group has implemented internal recycling programme for office consumables such as toner cartridges and paper to minimise the operational impact on the environment and natural resources. The Group will review its environmental practices from time to time and will implement further eco-friendly measures and practices closely enhancing environmental sustainability. For details, please refer to the section headed “Environmental, Social and Governance Report” of this annual report.

RELATIONSHIPS WITH THE GROUP’S EMPLOYEES

The Group believes that employees are important and valuable assets. The Group will provide trainings for employees to enhance their knowledge in corporate values and culture and to implement them thoroughly. Meanwhile, the Group encourages staff on continued studies by giving subsidy to recognized development courses. The Group also aims to provide competitive and attractive remuneration packages to retain its employees. Management reviews annually the remuneration package offered to the employees of the Group. Meanwhile, for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group’s operations, the Company has adopted the Share Option Scheme and the Share Award Scheme. Details of such schemes are set out in the sub-sections headed “Share Option Scheme” and “Share Award Scheme” in this report.

RELATIONSHIPS WITH THE GROUP’S CUSTOMERS AND SUPPLIERS

The Group values long standing relationships with its suppliers and customers. The Group aims at delivering high quality products to its customers and developing mutual trust and enhancing communication and commitment between the Group and its suppliers to maintain sustainable growth.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On 16 January 2018, the Group granted 5,333,334 Shares to certain Directors, senior management and employees under the Share Award Scheme.

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.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of this annual report.

EQUITY-LINK AGREEMENT

For the Year, the Company has not entered into any equity-link agreement, save for options that can be granted under the Share Option Scheme. As at 31 December 2017, no option had been granted under the Share Option Scheme.

* *For identification purposes only*

REVIEW BY AUDIT COMMITTEE

The Audit Committee currently comprises four independent non-executive Directors, namely, Mr. Sin Hendrick, Mr. Lau Ip Keung Kenneth, Dr. Yung Bruce Pak Keung and Mr. Szeto Yuk Ting. The Audit Committee has reviewed with the management of the Company the audited Consolidated Financial Statements for the Year.

INDEPENDENT AUDITOR

The Consolidated Financial Statements for the Year have been audited by Deloitte who will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. Having been approved by the Board upon the Audit Committee's recommendation, a resolution for the re-appointment of Deloitte as the Independent Auditor for the ensuing year will be put to the forthcoming AGM for shareholder's approval.

On Behalf of the Board

Chang Yoe Chong Felix
Chairman and Chief Executive Officer

Hong Kong, 27 March 2018

Environmental, Social and Governance Report

I. ABOUT THIS REPORT

As one of the prominent brands in the hair products manufacturing industry, the Group stringently fulfills its environmental and social responsibilities.

The Group has developed its sustainability strategy with the aim to create sustainable values to its stakeholders, and to continue to lower its adverse impact on the environment. In order to carry out the Group's sustainability strategy from top to bottom, the Board has the ultimate responsibility for ensuring the effectiveness of the Group's environmental, social and governance ("**ESG**") policies. The Board has established dedicated teams to manage ESG issues within each business division of the Group, and Mr. Kwok Yau Lung Anthony, an executive Director and the Chief Operating Officer, would report to the Board on the effectiveness of the ESG risk management and internal control systems. The Group is also committed to constantly reviewing and adjusting its sustainability policies to satisfy the ever-changing needs of its stakeholders. Details of its management approach in both the environmental and social aspects can be found throughout different sections of this report. The Group believes that sustainability is essential to its overall long-term success.

The Group is pleased to present its first ESG report to demonstrate its approach and performance in terms of sustainable development for the year ended 31 December 2017. This report is prepared in compliance with the Environmental, Social and Governance Reporting Guide as set out in Appendix 27 of the Listing Rules.

II. REPORTING PERIOD AND SCOPE OF THE REPORT

This report covers the environmental and social performance within the operational boundaries of the Group that includes: (i) the Group's head office in Hong Kong; (ii) the business of trading hair products and other services (collectively, the "**Trading Business**") in the United States, Europe, the PRC, Japan and South Africa; and (iii) the business of hair products manufacturing (the "**Hair Products Manufacturing Business**") in the PRC and Bangladesh. The reporting period is the Group's financial year dating from 1 January 2017 to 31 December 2017 ("**FY2017**"). This report is prepared in both English and Chinese. If there is any conflict or inconsistency, the English version shall prevail.

III. ENGAGEMENT OF STAKEHOLDERS

With the goal to strengthen its sustainability approach and performance, the Group has devoted tremendous efforts to listen to both its internal and external stakeholders. It actively collects feedback from its stakeholders to maintain a high standard of sustainability, while also building a trustful and supportive relationship with them. The Group connects with its stakeholders through their preferred communication channels as listed in Table 1.

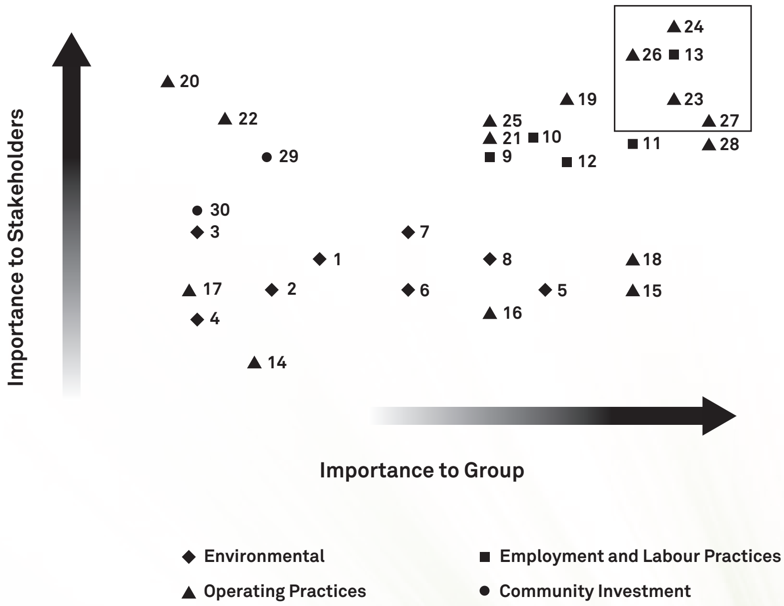
Table 1 Stakeholders' expectations and communication channels

Stakeholders	Expectations and concerns	Communication Channels
Government and regulatory authorities	– Compliance with laws and regulations – Support economic development	– Supervision of compliance with local laws and regulations – Routing reports and taxes paid
Shareholders	– Return on investment – Corporate governance – Business compliance	– Regular reports and announcements – Regular general meetings – Official website
Employees	– Employees' compensation and benefits – Career development – Health and safety in the working environment	– Performance reviews – Regular meetings and training – Emails, notice boards, hotline, caring activities with management
Customers	– High quality products and services – Protect the rights of customers	– Sales reviews – Face-to-face meetings and on-site visits – Customer service hotline and email
Suppliers	– Fair and open procurement – Win-win cooperation	– Open tendering – Purchase reviews – Face-to-face meetings and on-site visits
General public	– Involvement in communities – Business compliance – Environmental protection awareness	– Media conferences and responses to enquiries – Public welfare activities – Regular reports and announcements – Official website

MATERIALITY ASSESSMENT

The Group undertakes an annual review in identifying and understanding its stakeholders' main concerns and material interests for this report. In FY2017, the Group engaged its stakeholders to conduct a materiality assessment survey. Specifically, internal and external stakeholders were selected based on their influence and dependence on the Group. Stakeholders with a high level of influence and dependence were selected by the management of the Group, and invited to express their views and concerns on a list of sustainability issues via an online survey. The Group was able to prioritise the issues for discussion. The findings of the materiality assessment survey have been mapped out and presented below.

Stakeholder Engagement Materiality Matrix



1 Air and greenhouse gas emissions
2 Sewage treatment
3 Land use, pollution and restoration
4 Solid waste treatment
5 Energy use
6 Water use
7 Use of other raw/packaging materials
8 Mitigation measures to protect natural resources
9 Composition of employees
10 Employee remuneration and benefits
11 Occupational health and safety
12 Employee development and training
13 Preventing child and forced labour
14 Suppliers by geographical region
15 Selection of suppliers and assessment of their product/services
16 Environmental protection assessment of the suppliers
17 Social risks assessment of the suppliers
18 Procurement practices
19 Compliance with operation
20 Customer satisfaction
21 Marketing and promotion
22 Observing and protecting intellectual property rights
23 Product quality control and management
24 Protection of consumer information and privacy
25 Labelling relating to products/services
26 Information disclosure
27 Preventing bribery, extortion, fraud and money laundering
28 Anti-corruption policies and whistle-blowing procedure
29 Understanding local communities' need
30 Public welfare and charity

The Group has devised a materiality analysis matrix and prioritised the 30 sustainability issues accordingly. With respect to this report, the Group has identified protection of customer information and privacy, preventing child and forced labour, preventing bribery, extortion, fraud and money laundering, product quality control and management, and information disclosure as issues of highest importance to both itself and its stakeholders. This review has assisted the Group in prioritising its sustainability issues and highlighting the material and relevant aspects, so as to align them with stakeholders' expectations.

STAKEHOLDERS' FEEDBACK

As the Group strives for excellence, stakeholders' feedback is always welcomed, especially on topics listed as of highest importance in the materiality assessment. Readers are also welcome to share their views with the Group at "info2@epfhk.com" or "www.epfhk.com".

IV. ENVIRONMENTAL SUSTAINABILITY

The Group is committed to ensuring long-term sustainability to the environment and the communities in which it operates. Towards that end, the Group stringently controls its emissions and consumption of resources, and complies with all relevant environmental laws and regulations in its daily operations. All offices and manufacturing factories of the Group have implemented effective energy conservation measures to reduce emissions and consumption of resources.

This section primarily discloses the Group's policies, practices, and quantitative data on emissions, use of resources, other aspects relating to the environment and natural resources in FY2017.

A.1. EMISSIONS

The Group has complied with all relevant local environmental laws as set out in the countries where it operates. In FY2017, the Group found no violation of influential laws relevant to waste gas or greenhouse gas emissions, water or land discharges and hazardous or non-hazardous wastes.

The types of emissions emitted by the Group includes greenhouse gases ("**GHG**"), hazardous wastes, and non-hazardous wastes emissions. In FY2017, the Group's GHG for Scope 1 (Direct Emissions) and Scope 2 (Energy Indirect Emission) was 1,843 tonnes carbon dioxide equivalent ("**CO2e**") and 10,377 tonnes CO2e, respectively. The Group's total GHG emissions amounted to 12,220 tonnes CO2e, and the GHG intensity for the Group was 0.8 tonnes CO2e/employee. Other than GHG emissions, the Group also emitted one tonne of hazardous solid waste (an intensity of ~0 tonne/employee), 32,730 tonnes of hazardous wastewater (an intensity of 2.1 tonnes/employee), 152 tonnes of non-hazardous solid wastes (an intensity of 0.01 tonne/employee), and 23,458 tonnes of non-hazardous wastewater (an intensity of 1.5 tonnes/employee) in the course of its operations. The Group's total emissions are summarised in Table 2 below.

Table 2 The Group's total emissions in FY2017

Emissions	Key Performance Indicator (KPI)	Unit	Amount	Intensity* (Per employee)
GHG emissions	Scope 1 (Direct Emission)	tonne CO2e	1,843	–
	Scope 2 (Energy Indirect Emission)	tonne CO2e	10,377	–
	Total (Scope 1 & 2)	tonne CO2e	12,220	0.8
Hazardous waste	Solid Waste	tonne	1	~0
	Wastewater	tonne	32,730	2.1
Non-hazardous waste	Solid Waste	tonne	152	0.01
	Wastewater	tonne	23,458	1.5

* Intensity = amount ÷ annual average workforce of the Group

Trading Business

Emissions from the Trading Business include GHG emissions from the use of gasoline, diesel and electricity, and municipal solid waste and wastewater generated by staffs in the offices. No hazardous waste was generated by the Trading Business in FY2017.

The main source of GHG emissions for the Trading Business came from the use of electricity. Specific measures taken to reduce electricity consumption in the offices, and thus GHG emissions from this business segment, are further described in the sub-section headed "Electricity" in this report.

The Group is committed to environmental protection in its daily operations in the offices. In order to reduce the amount of municipal solid waste generated every day, the Group has implemented the following practices:

- Sourcing, separating and recycling as much solid waste as possible;
- Encouraging all employees to reduce the use of disposable items such as plastic tableware; and
- Advocating the reuse of office stationery.

Any non-recyclable municipal solid wastes are collected and disposed by the property management.

Since the amount of wastewater generated highly depends on the amount of water used, the Group has adopted specific measures to reduce water consumption, which are further described in the section headed "A.2. Use of Resources – Water" in this report. Municipal wastewater is directly discharged into the property pipe system.

Hair Products Manufacturing Business

In the Hair Products Manufacturing Business, the Group takes the greatest care in controlling all discharges. Any wastewater and solid waste generated from the Hair Products Manufacturing Business must meet the relevant local, PRC or Bangladesh emission standards before discharge.

AIR & GHG EMISSIONS

Air and GHG emissions in the Hair Products Manufacturing Business comes from the use of gasoline, diesel, coal, natural gas and electricity to power machineries and vehicles. The Group has set up internal policies, which are further described in the section headed "A.2. Use of Resources" in this report, to reduce energy use and thus improve the air quality and curtail GHG emissions. The Group has also planted trees outside the hair products manufacturing factories in the PRC for further removal of GHG removal.

WASTEWATER

Wastewater produced in this business segment includes: (i) domestic wastewater and non-hazardous wastewater, which is directly discharged into the local sewage system; and (ii) hazardous industrial wastewater from the hair products manufacturing process. For hazardous industrial wastewater, the Group has its own wastewater treatment plant for treating it. Hazardous industrial wastewater undergoes biochemical treatment, and is strictly tested before being discharged to the local municipal sewage network or being used as landscape water. The Group is committed to reducing wastewater produced by controlling the usage of fresh water and recycling of wastewater for other use such as watering plants or cleaning floors.

SOLID WASTE

Solid waste generated in this business segment includes: (i) domestic solid waste and non-hazardous industrial solid waste such as torn paper and fabrics from the production process; and (ii) excess sludge, a type of hazardous solid waste generated from the wastewater treatment plant. Domestic and non-hazardous industrial solid waste is collected by the local waste management company, while excess sludge is collected and treated by licensed waste handlers.

The Group has taken practical and effective measures to reduce the environmental burden of solid waste and to maximise the utilisation of resources. Following are examples of the measures the Group has taken to reduce the amount of solid waste produced:

- Collect, combine, and reuse all excess hair;
- Recycle, separate and reuse solid waste; and
- Reuse carton boxes and other paper-based packaging.

In FY2017, the Group had not been not in violation of any relevant laws and regulations related to emissions, which had a material impact on its business.

A.2. USE OF RESOURCES

The Group has complied with the relevant laws and regulations in relation to its use of resources during the year under review. In FY2017, resources consumed by the Group included electricity, gasoline, diesel fuel, natural gas, coal, water, paper, paper packaging materials, and plastic raw materials.

Table 3 The Group's total use of resources in FY2017

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount	Intensity* (Per Employee)
Energy	Electricity	KWh'000	15,907	1.0
	Gasoline	litre	47,637	3.0
	Diesel Fuel	litre	330,846	21.2
	Coal	tonne	175	0.01
	Natural Gas	m^3	157,714	10.1
Water	Water	m^3	274,943	17.6
Paper	Paper	tonne	13	0.001

* Intensity = amount ÷ annual average workforce of the Group

ELECTRICITY

The Group's electricity consumption came from regular operation of the offices and factories. In FY2017, the total electricity consumption of the Group was 15,907 kWh'000 (an intensity of 1.0 kWh'000/employee). All subsidiaries have stringently complied with the Group's policy of saving energy.

The Group has started to replace traditional incandescent lighting with electricity-saving lighting in the factory manufacturing areas and office areas as well as educated its employees on how to achieve energy conservation and emissions reduction. As the Group reduce its electricity consumption, its GHG emissions will be lowered. To ensure efficient use of electricity, the Group has adopted the following practices:

- Turning off lights, computers and air conditioning system at the end of the day;
- Placing energy-saving reminder labels next to switches
- Cleaning office equipment regularly to maintain high efficiency;
- Replacing original equipment with energy-saving equipment; and
- Setting temperatures of air conditioners according to the season.

GASOLINE AND DIESEL FUEL

The Group vehicles consume gasoline while diesel fuel powers both vehicles and back-up generators. In FY2017, the amount of gasoline and diesel fuel consumed by the Group was 47,637 litres (an intensity of 3.0 L/employee), and 330,846 litres (an intensity of 21.2 L/employee), respectively. The Group encourages energy saving following simple measures, such as making the best use of space to avoid unnecessary travel and replacing highly-polluting vehicles with those which are more environmentally-friendly.

COAL AND NATURAL GAS

The operation of the Group's boilers consume coal and natural gas, while compressed natural gas is used in some of the its vehicles. In FY2017, the amount of coal and natural gas consumed by the Group was 175 tonnes (an intensity of 0.01 tonnes/employee), and 157,714 m^3 (an intensity of 10.1 m^3/employee) respectively. The Group has taken environmental factors into consideration by switching to the use of natural gas instead of coal for the operation of its boilers.

WATER

The Group has had no issues in sourcing water for its business operation. The Group has instructed its employees on how to save water. In FY2017, the total water consumption of the Group was 274,943 m^3 (an intensity of 17.6 m^3/employee). To further improve the utilisation efficiency of water resources, the Group has adopted the following practices:

- Placing posters "Saving Water Resources" in prominent places to encourage water conservation;
- Fixing dripping taps immediately to avoid any leakage of the water supply system; and
- Strengthening inspection and maintenance of water taps, water pipelines and water storage systems;

PAPER

Paper is mainly consumed by the Group in its offices. In FY2017, the Group consumed a total of 13 tonnes of paper (an intensity of 0.001 tonnes/employee). The Group strives to reduce paper produced at source by adopting the following practices:

- Think before print;
- Set duplex printing as the default mode for most network printers;
- Use email to reduce fax paper consumption;
- Separate single-sided paper and double-sided paper neatly for better recycling; and
- Reuse single-sided documents for printing or as draft paper.

Table 4. The Group's use of packaging materials in FY2017

Use of Resources	Key Performance Indicator (KPI)	Unit	Amount	Intensity (Per Unit of Product Produced)
Packaging Materials	By Paper	tonne	3,330	1.4×10^{-4}
Raw Materials	By Plastic	tonne	428	1.8×10^{-5}

PACKAGING MATERIALS & RAW MATERIALS

The Group uses cardboard, carton boxes, and self-manufactured polyethylene film bags as packaging materials. In FY2017, the amount of paper packaging materials and plastic raw materials consumed by the Group was 3,330 tonnes (an intensity of 1.4×10^{-4} tonnes/unit of product produced), and 428 tonnes (an intensity of 1.8×10^{-5} tonnes/unit of product produced) respectively. To reduce the use of packaging materials, the Group reuses most of the carton boxes.

A.3. THE ENVIRONMENT AND NATURAL RESOURCES

The main impact of the Group's operations on the environment is the use of energy (electricity, gasoline, diesel fuel, coal and natural gas). The Group has reduced its impact on the environment by decreasing energy consumption, treating wastewater before discharge, and switching to the use of more environmentally-friendly fuel sources. The Group has also planted trees outside its factories for further GHG removal.

V. SOCIAL SUSTAINABILITY

EMPLOYMENT AND LABOUR PRACTICES

B.1. Employment

The Group treasures employee's talent and sees it as the key to drive the success as well as to maintain the sustainability of the Group. Thus, the Group strives to provide its employees with a safe and suitable platform for developing their career, professionalism and advancement.

The human resource policies of the Group strictly adhere to the applicable employment laws and regulations in Hong Kong, the PRC, and Bangladesh, including but not limited to the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Labour Law of the PRC (《中華人民共和國勞動法》), and the Bangladesh Labour Act. The Group has also complied with the laws and regulations in respect of the social security schemes that are enforced by the local governments in the PRC in relation to employee benefits. The human resources department of the Group and its subsidiaries regularly review and update the relevant company policies in accordance with the latest laws and regulations.

The Group's human resources department is responsible for providing all employment information about the positions within the Group. As an equal opportunity employer, the Group is committed to creating a fair, open, objective and diverse working environment by promoting anti-discrimination and equal opportunity in all decisions involving human resources. For instance, the Group assesses the eligibility of its candidates based on their educational and professional qualifications, job knowledge and past work experience along with skills and competency. Other attributes not relevant to the job performance such as the candidate's race, gender, religion, age, disability, pregnancy, family status, disability, descent, national or ethnic origins and nationality have no weight in the recruitment process.

The Group has zero tolerance towards any workplace discrimination, harassment or vilification in accordance with the local law and regulations, such as the Disability Discrimination Ordinance (Chapter 487 of the Laws of Hong Kong) and the Sex Discrimination Ordinance (Chapter 480 of the Laws of Hong Kong). Employees are encouraged to report any incidents involving discrimination to the human resources department. The human resources department takes responsibility for assessing, dealing with, recording and taking any necessary disciplinary actions in relation to such incidents.

The Group conducts employee performance appraisal to determine personnel decisions such as promotion and salary increment. Employee performance appraisals are conducted through interactive communications. Any appointment, promotion or termination of employment contract would be based on reasonable, lawful grounds and internal policies, such as staff handbooks. The Group strictly prohibits any kind of unfair or unreasonable dismissals. When termination of an employee becomes inevitable, the management of the Group is responsible for initiating and informing the employee of the termination, and the Group's finance department would settle the final payment with the employee within a short period of time.

The Group has formulated its policy for determining working hours and rest periods for employees based on local employment laws. In addition to basic paid annual leave and statutory holidays stipulated by the employment laws of the local governments, employees may also be entitled to additional leave entitlements such as marriage leave, maternity leave and compassionate leave. As for employee welfare, the Group provides medical insurance and meals during working hours to its staffs in Hong Kong. During some traditional Chinese festivals, employees may even receive additional bonuses and gifts. In FY2017, the Group organised a Christmas party and an annual dinner for the enjoyment of its staffs.

During the year under review, the Group was in compliance with the relevant laws and regulations in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, welfare and other benefits that have a significant impact on its business.

B.2. Health and Safety

To provide and maintain good working conditions and a safe, healthy working environment for its employees, the Group has established occupational safety and health policies that are in line with the various laws and regulations in Hong Kong, the PRC, and Bangladesh. The specific laws and regulations include the Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), the Occupational Disease Prevention Law of the PRC (《中華人民共和國職業病防治法》), and the Bangladesh Labour (Amendment) Act.

The Group strives to provide a high-quality working environment for its employees. It has prohibited smoking and consumption of alcoholic beverages at the workplace, and has installed large suction fans to maintain good indoor air quality. In order to keep workers safe and avoid a dangerous situation, the Group regularly provides safety training, machine operation safeguards training, and emergency and first-aid training to its employees. Safety warning labels have been placed in potentially dangerous areas, and personal protective equipment (such as glasses, aprons, boots, gloves, etc.) are provided to the workers. The Group also has fire extinguishers in place to be used when there is an emergency. In FY2017, the Group had no work-related fatalities.

During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to providing a safe working environment and protecting employees from occupational hazards that has had a material impact on its business.

B.3. Development and Training

The Group offers comprehensive training and development programmes to its staff in order to strengthen their work-related skills and knowledge. The purpose is to equip employees with the necessary skills, knowledge and attitudes to meet the Group's needs. Towards that end, the Group has formulated a set of internal policies for development and training. The Group offers internal training such as introductory, professional and technical, health and safety, and anti-bribery instruction to its employees.

The Group also encourages outstanding employees to attend external courses for enhancing their competitiveness and expanding their professional capabilities through continuous learning. The Group may arrange with external training organisations and trainers to provide job-related training to its employees.

The Group aims to foster a learning culture that could strengthen its employees' professional knowledge so as to benefit its business as employees are expected to achieve better working performance after receiving appropriate training. The Group assesses and monitors the execution of its training programmes by conducting employee post training evaluation. The human resources department of the Group collects and analyses data from the training statistics.

B.4. Labour Standards

The Group strictly abides by the Employment Ordinance (Chapter 57 of the Laws of Hong Kong), the Labour Law of the PRC (《中華人民共和國勞動法》), the Bangladesh Labour Act and other related labour laws and regulations in Hong Kong, the PRC and Bangladesh to prohibit any child and/or forced labour employment.

To combat illegal child labour, underage workers and forced labour, the Group's human resources department requires job applicants to provide valid identity documents before confirmation of employment to ensure that the they are lawfully employable. The department is responsible for monitoring and ensuring compliance of the Group with the latest relevant laws and regulations that prohibit child labour and forced labour.

During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to the prevention of child and forced labour that have had a material impact on its business.

OPERATING PRACTICES

B.5. Supply Chain Management

As a socially responsible enterprise, it is critical for the Group to maintain and manage a sustainable and reliable supply chain that takes environmental and societal impact into considerations. The Group monitors the quality of its suppliers and supply chain practices on a strict and regular basis.

The Group's suppliers mainly provide raw materials and packaging materials, such as synthetic fibres, human hair, polyethylene film and cardboard that are required for the manufacturing of hair products. To manage and evaluate the performance of its co-operating parties, the Group has formulated the "Policies and Procedures for Expenditure Management". The Group does its best to reduce the environmental impact of procurement activities when cooperating with its suppliers. Local suppliers are preferred as it reduces both cost and emissions associated with transportation.

For any purchase of new items, the procurement department would often contact at least three qualified suppliers for price comparison. The Group chooses and evaluates suppliers/sub-contractors based on the price, product/service quality, performance capability, payment terms, delivery time, past cooperation experience, after-purchase support and outcome from annual evaluation. Not only must a supplier meet the Group's internal standards, but also be a legally compliant, socially responsible and financially healthy enterprise. The Group has its own internal list of approved qualified suppliers and annually reassesses them.

The Group maintains close liaison with its suppliers to ensure that their business not only comply with local laws and regulations, but also adhere to their corporate ethics such as prohibiting child labour. Given the firm and stable relationship between the Group with its suppliers, the Group is quickly informed of the suppliers' situation through the internet, phone calls, and other communication means.

B.6. Product Responsibility

With regard to the Group's product health and safety, advertising and labelling, the Group is strictly in compliance with the related rules and regulations in the PRC and Bangladesh such as the Product Quality Law of the PRC (《中華人民共和國產品質量法》) and the Law on Protection of Consumer Rights and Interests of the PRC (《中國消費者權益保護法》).

The Group pays great attention on product quality, and has established the "Policies and Procedures for Production Management" for ensuring proper execution at each stage of the manufacturing process. Job responsibilities of each relevant department are clearly stated, and all such departments are responsible for manufacturing finished products that meet customers' expectation on product quality. The quality control department of the Group is responsible for inspecting the quality of raw materials, semi-finished products and finished products. The quality control department also performs random quality checks and inspections to ensure any products with defects could be identified and fixed before being shipped to customers.

Whenever the Group receives a customer complaint, the operational department would conduct a joint department meeting with the quality control department to confirm and analyse the complaint. Once a customer's complaint has been confirmed as valid, the quality control department would work out specific solutions and provide a response to the customer. The Group would keep a detailed record of the customer complaint handling process, so to come up with a long-term solution to prevent the same type of customer complaint.

The Group ensures that all products that it manufactures meet the its high standards and stringent requirements in terms of health and safety. The Group engages independent testing companies to conduct flammability testing, and ensure that all products have passed relevant requirements. In FY2017, there were no products sold subject to recall for health and safety reasons.

The Group has established internal guidelines to ensure that accurate product labelling and marketing materials complying with the relevant local laws and regulations, such as the Advertising Law of the PRC (《中華人民共和國廣告法》), are provided to its customers. Any exaggeration of descriptions in marketing materials is strictly prohibited. If there is any non-compliance with its internal guidelines, the Group would carry out corrective actions immediately.

The Group is dedicated to protecting and enforcing its intellectual property rights and has complied with the relevant laws and regulations such as the Patent Law of the PRC (《中華人民共和國專利法》) and the Intellectual Property Law of the PRC (《中華人民共和國知識財產權法》).

The Group is committed to abiding by the laws in relation to customer privacy, such as the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and the Consumer Protection Law of the PRC (《中華人民共和國消費者權益保護法》) and, and other relevant laws and regulations to ensure customers' rights are strictly protected. Information collected by the Group from its customers would only be used for the purpose for which it is collected. The Group prohibits the provision of customer information to any third party without the authorisation of that customer. All personal data of customers collected during the course of business are treated as confidential, kept securely and only accessible to designated personnel. Through internal training, the Group reminds its employees of the serious legal consequences of breaching the regulations.

During the year under review, the Group was not in violation of any relevant laws and regulations regarding health and safety, advertising, labelling and privacy matters of its products that may have had a material impact on its business.

B.7. Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the local laws and regulations relating to anti-corruption and bribery, such as the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), the Law on Anti-money Laundering of the PRC (《中華人民共和國反洗錢法》), the Bangladesh Anti-Corruption Commission Act.

The Group prohibits all forms of bribery and corruption. The Group has strictly enforced its internal regulations, entitled "Code of Conduct", which provide reporting channels and guidance to employees for any suspected impropriety, misconduct or malpractice within the Group. The Group provides anti-bribery and corruption training courses to its employees regularly. All employees are expected to discharge their duties with integrity, to act fairly and professionally, and to abstain from engaging in bribery activities or any activities which might exploit their positions against the Group's interests. No legal cases regarding corrupt practices were brought against the Group or its employees during FY2017.

The Group is committed to ensuring that employees can speak up with confidence when he or she suspects there being any activity of corruption. Whistle-blowers have obligation to report any suspected misconducts (such as bribery, extortion, fraud and money laundering) and can report verbally or in writing to the senior management of the Group. The Group advocates a confidentiality mechanism to protect the whistle-blowers against unfair dismissal or victimisation.

During the year under review, the Group was not in violation of any of the relevant laws and regulations in relation to bribery, extortion, fraud and money laundering that may have had a material impact on its business.

COMMUNITY

B.8. Community Investment

The Group understands well the importance of making a positive contribution to the communities where the Group operates as it sees the interests of the communities as one of its social responsibilities. The Group is committed to promoting the economic development and living environment of such communities, and insists on helping individuals and organizations within the community. The Group is also keen to support social welfare activities and community care projects, and encourages its own employees to participate in these activities and projects.

The Group believes that an enterprise and the communities where it operates are inseparable. To better fulfil its social responsibilities, the Group is committed to contributing to the following areas:

- Actively cooperate with the local government and social organizations;
- Steadfastly promote social employment and contribute to alleviating unemployment;
- Protect the environment by controlling emissions and pursuing energy conservation; and
- Fulfil legal obligations by paying tax.

Deloitte.

德勤

TO THE SHAREHOLDERS OF EVERGREEN PRODUCTS GROUP LIMITED
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Evergreen Products Group Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 87 to 167, which comprise the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of leasehold land and buildings ("FV Properties")	
We identified the valuation of FV Properties as a key audit matter due to the significant of the balance to the consolidated financial statements as a whole and significant assumptions involved in determining their fair value. As set out in note 4, FV Properties of the Group are stated in the consolidated statement of financial position at the date of the revaluation at fair value less subsequent accumulated depreciation and accumulated impairment losses, if any. As set out in note 17 to the consolidated financial statements, the Group's FV Properties amounted to approximately HK$102,666,000 as at 31 December 2017, the date of revaluation. A surplus on revaluation of HK$16,141,000 was recognised based on a valuation performed by an independent qualified valuer using direct comparison approach. The key inputs used in valuing the FV Properties are market unit rate of comparable properties and adjustments to reflect the times, location, quality, floor level and size of the subject properties of the comparable transactions.	Our procedures in relation to valuation of trade receivables included: • Evaluating the competence, capabilities and objectivity of the independent qualified valuer; • Obtaining an understanding from the independent qualified valuer about the valuation methodology, the significant assumptions adopted, critical judgemental areas on key inputs and data used in the valuation; and • Assessing the reasonableness of the key inputs by the independent qualified valuer by checking to available market data.

KEY AUDIT MATTERS (continued)

Key audit matter	How our audit addressed the key audit matter
Valuation of inventories	
We identified valuation of inventories as a key audit matter due to the significance of balance to the consolidated financial statements and significant management's judgement involved in the valuation process. As explained in note 5 to the consolidated financial statements, the management of the Group reviews the usage of the inventories at the end of year and make provision for obsolete inventories that are no longer suitable for production or saleable in the market with reference to the current market conditions, estimated selling prices of the inventories, ageing analysis and subsequent sales/usage of the inventories. As disclosed in notes 20 and 5 to the consolidated financial statements, the Group's inventories as at 31 December 2017 amounted to HK$385,040,000 and no provision for obsolete inventories has been made for the year ended 31 December 2017.	Our procedures in relation to valuation of inventories included: • Obtaining an understanding of the Group's inventory provision policy and the management's processes in identifying aged or obsolete, slow-moving inventory that are no longer suitable for production used nor saleable in the market; • Testing the accuracy of the aging of inventories prepared by the management, on a sample basis, by tracing to good receipt notes and production reports; • Assessing whether obsolete and slow moving inventories were properly identified after taking into account of the current market condition, ageing analysis, subsequent sales of finished goods and subsequent usage and consumption of raw materials and work in progress; • Comparing the actual selling price of finish goods subsequent to the year end, on a sample basis, to their carrying amounts to check whether the finish goods are stated at lower of cost and net realisable value; and • Assessing the historical accuracy of the provision for obsolete inventories to evaluate the appropriateness of the basis used by management in the current year.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Mak Chun Bon.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

27 March 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	*6*	**647,343**	595,682
Cost of goods sold		**(417,123)**	(384,429)
Gross profit		**230,220**	211,253
Other income	*8*	**4,055**	2,714
Other gains and losses	*9*	**(4,084)**	(4,848)
Change in fair value of redeemable convertible preferred shares	*31*	**32,100**	(39,344)
Distribution and selling expenses		**(15,720)**	(12,898)
Administrative expenses		**(105,695)**	(87,383)
Other expenses	*10*	**(17,956)**	(14,915)
Finance costs	*11*	**(12,505)**	(17,562)
Profit before tax	*12*	**110,415**	37,017
Income tax expense	*14*	**(951)**	(4,260)
Profit for the year		**109,464**	32,757
Other comprehensive income (expense) for the year:			
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of land and buildings		**16,141**	5,688
Deferred tax arising from revaluation of land and buildings		**(1,396)**	(513)
		14,745	5,175
Items that may be reclassified subsequently to profit or loss:			
Loss on fair value change of available-for-sale investments		**–**	(573)
Reclassification adjustment relating to disposal of available-for-sale investments		**–**	1,275
Exchange differences arising from translation of foreign operations		**(2,541)**	(7,349)
		(2,541)	(6,647)
Other comprehensive income (expense) for the year, net of income tax		**12,204**	(1,472)
Total comprehensive income for the year		**121,668**	31,285

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2017

	NOTE	**2017** **HK$'000**	2016 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**110,151**	32,970
Non-controlling interests		**(687)**	(213)
		109,464	32,757
Total comprehensive income (expense) attributable to:			
Owners of the Company		**122,418**	31,498
Non-controlling interests		**(750)**	(213)
		121,668	31,285
Earnings per share (HK$)	*16*		
– basic		**0.24**	0.10
– diluted		**0.15**	0.10

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	17	**365,411**	305,014
Prepaid lease payments	18	**19,939**	18,809
Deposits for acquisition of property, plant and equipment		**22,415**	–
Deposits and prepayments for life insurance policies	19	**25,230**	29,986
		432,995	353,809
Current assets			
Inventories	20	**385,040**	317,078
Trade and other receivables	21	**222,637**	191,199
Prepaid lease payments	18	**362**	336
Amounts due from directors	22	**–**	24,079
Amounts due from fellow subsidiaries	22	**–**	824
Tax recoverable		**865**	882
Pledged bank deposits	23	**100,539**	35,912
Bank balances and cash	24	**91,154**	60,377
		800,597	630,687
Current liabilities			
Trade and other payables	25	**41,152**	54,345
Amount due to a related company	22	**–**	46,644
Amount due to former ultimate holding company	22	**–**	8,587
Amount due to a former shareholder	22	**–**	602
Amount due to a preferred shareholder	22	**–**	1,234
Amount due to immediate holding company	22	**–**	11,145
Amount due to a non-controlling shareholder of a subsidiary	22	**7,726**	–
Tax payable		**2,554**	4,026
Secured bank borrowings	26	**505,882**	503,656
Obligation under finance leases	27	**–**	165
Derivative liabilities	28	**733**	2,985
		558,047	633,389
Net current assets (liabilities)		**242,550**	(2,702)
		675,545	351,107

Consolidated Statement of Financial Position

At 31 December 2017

	NOTES	**2017** **HK$'000**	2016 HK$'000
Capital and reserves			
Share capital	*29*	**47,847**	7,780
Reserves		**624,605**	135,237
Equity attributable to owners of the Company		**672,452**	143,017
Non-controlling interests		**(650)**	100
Total equity		**671,802**	143,117
Non-current liabilities			
Deferred taxation	*30*	**3,743**	2,734
Redeemable convertible preferred shares	*31*	**–**	205,256
		3,743	207,990
		675,545	351,107

The consolidated financial statements on page 87 to 167 were approved and authorised for issue by the board of directors on 27 March 2018 and are signed on its behalf of:

Chang Yoe Chong Felix
DIRECTOR

Chan Lau Yui Kevin
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Group										
	Share capital *HK$'000*	Share premium *HK$'000*	Capital reserve *HK$'000* *(note a)*	Property revaluation reserve *HK$'000*	Investment revaluation reserve *HK$'000*	Other reserve *HK$'000* *(note b)*	Translation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
At 1 January 2016	3,000	–	116,700	59,510	(702)	(76)	(7,439)	156,438	327,431	913	328,344
Profit (loss) for the year	–	–	–	–	–	–	–	32,970	32,970	(213)	32,757
Surplus on revaluation of land and buildings	–	–	–	5,688	–	–	–	–	5,688	–	5,688
Deferred tax arising from revaluation of land and buildings	–	–	–	(513)	–	–	–	–	(513)	–	(513)
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	–	–	–	–	–	–	(7,349)	–	(7,349)	–	(7,349)
Total comprehensive income (expense) for the year	–	–	–	5,175	702	–	(7,349)	32,970	31,498	(213)	31,285
Release upon disposal of land and buildings	–	–	–	(373)	–	–	–	373	–	–	–
Arising from the group reorganisation	4,780	–	(170,692)	–	–	–	–	–	(165,912)	–	(165,912)
Dividend declared *(note 15)*	–	–	–	–	–	–	–	(50,000)	(50,000)	–	(50,000)
Acquisition of additional interest in a subsidiary	–	–	–	–	–	–	–	–	–	(913)	(913)
Contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	–	313	313
At 31 December 2016	7,780	–	(53,992)	64,312	–	(76)	(14,788)	139,781	143,017	100	143,117

Consolidated Statement of Changes in Equity

For the year ended 31 December 2017

	Attributable to owners of the Group										
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 *(note a)*	Property revaluation reserve HK$'000	Investment revaluation reserve HK$'000	Other reserve HK$'000 *(note b)*	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Profit (loss) for the year	–	–	–	–	–	–	–	110,151	110,151	(687)	109,464
Surplus on revaluation of land and buildings	–	–	–	16,141	–	–	–	–	16,141	–	16,141
Deferred tax arising from revaluation of land and buildings	–	–	–	(1,396)	–	–	–	–	(1,396)	–	(1,396)
Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	(2,478)	–	(2,478)	(63)	(2,541)
Total comprehensive income (expense) for the year	–	–	–	14,745	–	–	(2,478)	110,151	122,418	(750)	121,668
Ordinary share issued *(note 29(f))*	11,962	241,726	–	–	–	–	–	–	253,688	–	253,688
Transaction costs attributable to issue of new ordinary shares	–	(19,827)	–	–	–	–	–	–	(19,827)	–	(19,827)
Conversion of redeemable convertible preferred shares	2,871	170,285	–	–	–	–	–	–	173,156	–	173,156
The effect of capitalisation issue *(note 29(f))*	25,234	(25,234)	–	–	–	–	–	–	–	–	–
At 31 December 2017	47,847	366,950	(53,992)	79,057	–	(76)	(17,266)	249,932	672,452	(650)	671,802

Notes:

a. 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.

b. Other reserve represents the effect of change in ownership in a subsidiary when there was no change in control.

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 *HK$'000*	2016 *HK$'000*
OPERATING ACTIVITIES		
Profit before tax	**110,415**	37,017
Adjustments for:		
Depreciation of property, plant and equipment	**27,670**	20,040
Amortisation of prepaid lease payments	**343**	340
Loss on disposal of available-for-sale investments	**–**	1,275
Change in fair value of derivative liabilities	**315**	2,755
Dividend income received from listed equity securities	**–**	(20)
Interest income	**(153)**	(99)
Gain on disposal of property, plant and equipment	**(73)**	(145)
Finance costs	**12,505**	17,562
Change in fair value of redeemable convertible preferred shares	**(32,100)**	39,344
Interest income from life insurance contracts	**(2,058)**	–
Operating cash flows before movements in working capital	**116,864**	118,069
Increase in inventories	**(67,962)**	(40,193)
Increase in trade and other receivables	**(33,264)**	(47,674)
(Decrease) increase in trade and other payables	**(11,851)**	2,143
Decrease in derivative liabilities	**(2,567)**	–
Cash generated from operations	**1,220**	32,345
Income tax paid	**(2,793)**	(3,177)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(1,573)**	29,168
INVESTING ACTIVITIES		
Repayment from directors	**24,079**	39,368
Proceeds from disposal of property, plant and equipment	**159**	1,059
Additions to receivables arising from insurance contracts	**–**	(11,701)
Receipts from withdrawal of insurance contract	**6,814**	–
Repayment from fellow subsidiaries	**824**	2,718
Interest received	**153**	99
Purchase of property, plant and equipment	**(74,303)**	(88,589)
Placement of pledged bank deposits	**(64,627)**	(10,889)
Deposit paid for acquisition of property, plant and equipment	**(22,415)**	–
Proceeds on disposal of available-for-sale investments	**–**	2,386
Dividend received	**–**	20
Advance to directors	**–**	(35,923)
NET CASH USED IN INVESTING ACTIVITIES	**(129,316)**	(101,452)

Consolidated Statement of Cash Flows

For the year ended 31 December 2017

	2017 HK$'000	2016 HK$'000
FINANCING ACTIVITIES		
Proceeds from issue of shares	**253,688**	–
New mortgage and short terms loans raised	**80,000**	218,135
Advance from a non-controlling shareholder of a subsidiary	**7,726**	–
Repayment to a related company	**(46,644)**	(17,484)
Repayment of mortgage and short term loans	**(45,310)**	(55,028)
(Decrease) increase in trust receipt loan and discounted bills	**(32,464)**	22,425
Payment of issued costs/deferred listing related expenses	**(15,167)**	(4,660)
Interest paid	**(19,713)**	(16,328)
Repayment to immediate holding company	**(11,145)**	(9,264)
Repayment to former ultimate holding company	**(8,587)**	(382)
Repayment to a preferred shareholder	**(2,012)**	–
Repayment to a former shareholder	**(602)**	–
Repayment of finance lease	**(165)**	(503)
Advance from a related company	**–**	5,444
Advance from an intermediate holding company	**–**	521
Contribution from non-controlling shareholders	**–**	313
Dividend paid	**–**	(50,000)
NET CASH FROM FINANCING ACTIVITIES	**159,605**	93,189
NET INCREASE IN CASH AND CASH EQUIVALENTS	**28,716**	20,905
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**60,377**	41,474
Effect of foreign exchange rate changes	**2,061**	(2,002)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**91,154**	60,377
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Represented by bank balances and cash	**91,154**	60,377

1. GENERAL

Evergreen Products Group Limited (the "Company") is a limited company incorporated in the Cayman Islands on 19 May 2016 and its shares have been listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with effect from 12 July 2017. The Company's immediate holding company is Evergreen Enterprise Holdings Limited (the "HoldCo"), a company which was incorporated in the British Virgin Islands (the "BVI"). The Company's ultimate holding company is Golden Evergreen Limited ("GEL"), a company incorporated in the 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, are considered as the controlling shareholders of the Group ("Controlling Shareholders"). The registered office of the Company is PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands and the principal place of business of the Company is 11th Floor, Chiap Luen Industrial Building, 30-32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (hereinafter collectively refer as the "Group") are the manufacturing and trading of hair products.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"). The Company's functional currency is the United States dollars (the "US$"). The reason for selecting HK$ as its presentation currency is because the shareholders of the Company are located in Hong Kong.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF 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 Group underwent the group reorganisation as described below.

Before listing, the Group was controlled by the Controlling Shareholders. 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 consolidated financial statements have been prepared on the basis as if the current group structure had been in existence throughout the year ended 31 December 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 the HoldCo.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION OF 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 Shareholders, 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 consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 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 the year ended 31 December 2016, or since the respective dates of incorporation, where this is a shorter period.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time in the current year:

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

Except the described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or disclosures set out in these consolidated financial statements.

AMENDMENTS TO HKAS 7 "DISCLOSURE INITIATIVE"

The Group has applied these amendments for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes. In addition, the amendments also require disclosures on changes in financial assets if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note 39. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note 39, the application of these amendments has had no impact on the Group's consolidated financial statements.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial instruments[1]
HKFRS 15	Revenue from contracts with customers and related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance contracts[4]
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration[1]
HK(IFRIC) – Int 23	Uncertainty over income tax treatments[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[1]
Amendments to HKFRS 9	Prepayment features with negative compensation[2]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[3]
Amendments to HKAS 28	Long-term interests in associates and joint ventures[2]
Amendments to HKAS 28	As part of the annual improvements to HKFRSs 2014 – 2016 cycle[1]
Amendments to HKAS 40	Transfers of investment property[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2015 – 2017 cycle[2]

1 Effective for annual periods beginning on or after 1 January 2018.
2 Effective for annual periods beginning on or after 1 January 2019.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2021.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (continued)

HKFRS 9 "FINANCIAL INSTRUMENTS"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other financial assets are measured at their fair values at subsequent reporting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (continued)

HKFRS 9 "FINANCIAL INSTRUMENTS" (continued)

Based on the Group's financial instruments and risk management policies as at 31 December 2017, the directors of the Company anticipate the following potential impact on initial application of HKFRS 9:

Classification and measurement

- Deposits for life insurance policies will be classified as financial assets at fair value through profit or loss as those deposits have contractual right to cash flows that do not represent contractual cash flows that are solely payments of principal and interest on the principal outstanding. The directors of the Company considers the fair value upon initial application of HKFRS 9 will be approximate to the carrying value as at 31 December 2017.

- All other financial assets and financial liabilities will continue to be measured on the same bases as are currently measured under HKAS 39.

Impairment

In the opinion of the directors of the Company, based on the historical experience and expectation of the Group, the default rate of the outstanding balances with customers is low. Hence, the directors of the Company anticipate that the application of the expected credit loss model of HKFRS 9 will not have material impact on the Group's future consolidated financial statements.

HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer

- Step 2: Identify the performance obligations in the contract

- Step 3: Determine the transaction price

- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (continued)

HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS" (continued)

In 2016, the HKICPA issued Clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 "LEASES"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold land for owned use, while other operating lease payments are presented as operating cash flows. Upon application of HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Groups.

Under HKAS 17, the Group has already recognised prepaid lease payments for leasehold land where the Group is a lessee. The application of HKFRS 16 may result in potential changes in classification of these assets depending on whether the Group presents right-of-use assets separately or within the same line item at which the corresponding underlying assets would be presented if they were owned.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (continued)

NEW AND REVISED HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (continued)

HKFRS 16 "LEASES" (continued)

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2017, the Group has non-cancellable operating lease commitments of HK$19,983,000 as disclosed in note 34. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of HKFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases.

In addition, the Group currently considers refundable rental deposits paid of HK$458,000 as rights under leases to which HKAS 17 applies. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use the underlying assets. Accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Furthermore, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Except for the new HKFRSs mentioned above, the directors of the Company anticipate that the application of other new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") and by the Hong Kong Companies Ordinance (the "CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments and properties that are measured at fair value or revalued amount at the end of the reporting period, as explained in the accounting policies below.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 “Share-based payment”, leasing transactions that are within the scope of HKAS 17 “Lease”, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of assets”.

A fair value measurement of a non-financial asset takes into account a market participant’s ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

BASIS OF CONSOLIDATION (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

Revenue from sales of goods is recognised when goods are delivered and title have passed.

Processing income is recognised when the relevant services are rendered.

Interest income is accrued on a time apportionment basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amounts on initial recognition.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

REVENUE RECOGNITION (Continued)

Dividend income from investments is recognised when the rights to receive payment have been established.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, other than leasehold land, freehold land and buildings and construction in progress, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Leasehold land and buildings held for use in the production or supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at fair value at the date of the revaluation less subsequent accumulated depreciation and accumulated impairment losses, if any. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on revaluation of land and buildings is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of an asset is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that asset. Depreciation on revalued leasehold land and buildings is recognised in profit or loss. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to retained profits.

Construction in progress is stated at cost less any identified impairment loss, as appropriate. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use.

Depreciation is provided to write off the cost or revalued amounts of items of property, plant and equipment, other than freehold land and construction in progress, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

PROPERTY, PLANT AND EQUIPMENT (Continued)

Assets held under finance lease are depreciated over their expected useful lives on the same basis as owned assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

LEASEHOLD LAND AND BUILDING

When the Group makes payments for a property interest which includes both leasehold land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire property is accounted as an operating lease. Specifically, the entire consideration (including any lump-sum upfront payments) are allocated between the leasehold land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element at initial recognition.

To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as “prepaid lease payments” in the statement of financial position and is amortised over the lease term on a straight-line basis. When the payments cannot be allocated reliably between the leasehold land and building elements, the entire property is generally classified as if the leasehold land is under finance lease.

IMPAIRMENT LOSSES

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

When it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

IMPAIRMENT LOSSES (Continued)

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that standard.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables, amounts due from directors/fellow subsidiaries, deposits for life insurance policies, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest received be immaterial.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial assets (Continued)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of the reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period of 90 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial liabilities and equity instruments

Debt and equity instruments issued by the Group are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transactions costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, secured bank borrowings and amounts due to a related company/former ultimate holding company/a former shareholder/a preferred shareholder/immediate holding company/a non-controlling shareholder are subsequently measured at amortised cost, using the effective interest method.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL on initial recognition.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminated or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 "Financial instruments: Recognition and measurement" permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Redeemable convertible preferred shares issued by the Company comprise the host debt instrument and the embedded derivatives and are designated as financial liabilities at FVTPL on initial recognition. The conversion option allows the holder to convert the preferred shares into ordinary shares and will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments, and therefore it does not meet the equity classification. At the end of each reporting period subsequent to initial recognition, the entire redeemable convertible preferred shares are measured at fair value, with changes in fair value arising on remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any interest paid on the financial liabilities.

Transaction costs that relate to the issue of the redeemable convertible preferred shares designated as financial liabilities at FVTPL are charged to profit or loss immediately.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FINANCIAL INSTRUMENTS (Continued)

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

FOREIGN CURRENCIES

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Hong Kong dollars.

In preparing the financial statements of each individual entity, transactions in currencies other than the entity's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

FOREIGN CURRENCIES (Continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are also recognised directly in other comprehensive income.

For the purpose of presenting the consolidated financial statements, (i) the assets and liabilities of the Group's foreign operations are translated into US$; and (ii) the assets and liabilities of the Group denominated or translated in US$ are then translated into the presentation currency of the Group (i.e. Hong Kong dollars), using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

RETIREMENT BENEFIT COSTS

Payments to defined contribution retirement benefit plans including state-managed retirement benefits scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

LEASING (Continued)

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair values at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor, net of interest charges, is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss.

Operating lease payments are recognised as an expense on a straight-line basis over the relevant lease term. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the asset are substantially ready for their intended use or sale.

All other borrowing costs are recognised as and included in finance costs in the profit or loss in the period in which they are incurred.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

TAXATION (Continued)

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

SHORT-TERM AND OTHER LONG-TERM EMPLOYEE BENEFITS

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

KEY SOURCES OF ESTIMATE UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Fair value of leasehold land and buildings

Leasehold land and buildings are carried at their revalued amount of HK$102,666,000 (2016: HK$89,200,000) at the end of the reporting period. The revalued amount of the leasehold land and buildings was based on valuation on the properties conducted by an independent qualified valuer by using direct comparison approach. The valuation conducted by independent qualified valuer involves certain assumptions of market conditions. Favourable or unfavourable changes to these assumptions would result in changes in fair value of the Group's leasehold land and buildings and corresponding adjustments to the amount reported in other comprehensive income.

Allowances for inventories

The management of the Group reviews the usage of the inventories at the end of year, and makes provision for obsolete items that are no longer suitable for production or saleable in the market with reference to the current market conditions, estimated selling prices of the inventories, ageing analysis and subsequent sales/usage of the inventories. The directors of the Company are satisfied that no provision is required to be made for the year ended 31 December 2017 and 2016.

Valuation of trade receivable

When there is an objective evidence of impairment loss, the Group takes into consideration of the customers' credit history, settlement patterns, subsequent settlements and aging analysis for the estimation of future cash flows. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition, where applicable). Where the future cash flows are less than expected, or being revised downward due to changes in facts and circumstances, an impairment loss may arise. As at 31 December 2017, the carrying amount of trade receivable was HK$126,821,000 (31 December 2016: 121,633,000). There is no impairment for the year ended 31 December 2017 and 2016.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

KEY SOURCES OF ESTIMATE UNCERTAINTY (continued)

Useful lives of property, plant and equipment

Depreciation is provided to write off the cost of property, plant and equipment over their estimated useful lives which are determined by the Group. In applying the accounting policy on property, plant and equipment with respect to depreciation, management estimates the useful life of various categories of property, plant and equipment according to the industrial experiences over the usage of property, plant and equipment and also by reference to the relevant industrial norm. Should the useful lives of these assets differ from that previously estimated, the calculation of depreciation charges would be affected.

6. REVENUE

Revenue represents amount received and receivable for the sales of hair products and net of discounts and sales related taxes during the year.

	2017 ***HK$'000***	2016 *HK$'000*
Group revenue by products		
Wigs, hair accessories and other	**446,608**	409,285
High-end human hair extensions	**159,993**	141,455
Halloween products	**40,742**	44,942
	647,343	595,682

7. SEGMENT INFORMATION

The chief executive officer of the Company, 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 year 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's CODM does not regularly review such information.

GEOGRAPHICAL INFORMATION

Revenue from the external customers, based on the location of delivery to customers are as follows:

	Revenue from external customers	
	2017	2016
	HK$'000	*HK$'000*
USA	**520,975**	454,408
PRC	**43,521**	48,423
United Kingdom	**31,753**	39,156
Others	**51,094**	53,695
	647,343	595,682

7. SEGMENT INFORMATION (continued)

Revenue from the customers of the corresponding years contributing over 10% of the total sales of the Group are as follows:

	2017 HK$'000	2016 HK$'000
Customer A[1]	**94,354**	71,303
Customer B	**92,606**	77,712
Customer C[1]	**91,760**	80,732

[1] The owner of customer A is a relative of the owner of customer C.

An analysis of the Group's non-current assets other than financial assets by their physical geographical location is as follows:

	2017 HK$'000	2016 HK$'000
Bangladesh	**238,868**	189,982
Hong Kong	**75,688**	63,758
PRC	**50,357**	50,901
USA	**18,340**	17,051
Japan	**2,097**	2,131
	385,350	323,823

Note: Non-current assets excluded deposits and prepayments for life insurance.

8. OTHER INCOME

	2017 **HK$'000**	2016 HK$'000
The amount represents:		
Bank interest income	**153**	99
Dividend income received from listed equity securities	**–**	20
Processing income	**196**	230
Rental income from warehouses	**964**	701
Interest income from life insurance contracts	**2,058**	–
Sundry income	**684**	1,664
	4,055	2,714

9. OTHER GAINS AND LOSSES

	2017 **HK$'000**	2016 HK$'000
Net loss from changes in fair value of derivative liabilities	**(315)**	(2,755)
Loss on disposal of available-for-sale investments	**–**	(1,275)
Gain on disposal of property, plant and equipment	**73**	145
Net foreign exchange loss	**(3,842)**	(963)
	(4,084)	(4,848)

10. OTHER EXPENSES

	2017	2016
	HK$'000	*HK$'000*
Donation expense	**2,729**	933
Listing expenses	**15,227**	13,982
	17,956	14,915

11. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank borrowings	**19,712**	16,309
Less: amount capitalised in the cost of qualifying assets	**(7,986)**	–
	11,726	16,309
Interest on finance leases	**1**	19
Interest on redeemable convertible preferred shares	**778**	1,234
	12,505	17,562

12. PROFIT BEFORE TAX

	2017	2016
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Amortisation of prepaid lease payments	**343**	340
Depreciation on property, plant and equipment	**27,670**	20,040
Total depreciation and amortisation	**28,013**	20,380
Directors' emoluments *(note 13)*		
– fee	**600**	–
– salaries and other benefits	**2,518**	1,881
– housing benefits	**298**	1,194
– retirement benefit schemes contributions	**68**	40
	3,484	3,115
Staff's salaries and other benefits	**220,021**	181,511
Staff's retirement benefits scheme contributions	**17,087**	7,373
Total staff costs	**240,592**	191,999
Auditor's remuneration	**1,400**	1,076
Cost of inventories recognised as expense (included in cost of goods sold)	**417,123**	384,429
Minimum operating lease payments in respect of rented premises	**4,114**	3,760

The estimated monetary value of accommodation provided to certain directors of the Company of HK$698,000 (2016: HK$1,194,000) is included under directors' housing benefits for the year ended 31 December 2017.

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO is as follows:

	2017					2016				
	Fees	Salaries and other benefits	Housing benefit	Retirement benefits scheme contributions	Total	Fees	Salaries and other benefits	Housing benefit	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors *(note vii)*										
Mr. Chang Yoe Chong, Felix *(note ii)*	200	–	149	10	359	–	–	597	–	597
Mr. Kwok Yau Lung, Anthony *(note iv)*	–	697	–	18	715	–	409	–	8	417
Mr. Chan Kwok Keung *(note iv)*	–	1,067	–	18	1,085	–	945	–	18	963
Ms. Jia Ziying *(note iv)*	–	83	–	11	94	–	69	–	7	76
Mr. Li Yan Bo *(note iv)*	–	71	–	11	82	–	58	–	7	65
Non-executive directors *(note viii)*										
Mr. Chang Chih Lung *(note i)*	–	200	149	–	349	–	–	597	–	597
Mr. Chan Lau Yui, Kevin *(note v)*	–	200	–	–	200	–	200	–	–	200
Mr. Chan Hoi Sing, Harold *(note iii)*	–	200	–	–	200	–	200	–	–	200
Independent non-executive directors *(note ix)*										
Mr. Lau Ip Keung Kenneth *(note vi)*	100	–	–	–	100	–	–	–	–	–
Mr. Sin Hendrick *(note vi)*	100	–	–	–	100	–	–	–	–	–
Dr. Yung Bruce Pak Keung *(note vi)*	100	–	–	–	100	–	–	–	–	–
Mr. Szeto Yuk Ting *(note vi)*	100	–	–	–	100	–	–	–	–	–
	600	2,518	298	68	3,484	–	1,881	1,194	40	3,115

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Notes:

(i) Mr. Chang Chih Lung was the Chief Executive Officer from 19 May 2016 to 9 September 2016 of the Company and his emoluments disclosure above includes those for services rendered by him as Chief Executive for that period. He was re-designated as non-executive director on 9 September 2016.

(ii) Mr. Chang Yoe Chong, Felix was appointed as executive director of the Company on 19 May 2016, he was then appointed as Chairman of the Company on 9 September 2016 and his emoluments disclosure above includes those for services rendered by him as Chief Executive Officer.

(iii) Mr. Chan Hoi Sing, Harold, was appointed as executive director of the Company on 19 May 2016 and he was re-designated as non-executive director on 9 September 2016.

(iv) Mr. Chan Kwok Keung, Mr. Kwok Yau Lung, Anthony, Ms. Jia Ziying and Mr. Li Yan Bo, were appointed as executive director of the Company on 9 September 2016.

(v) Mr. Chan Lau Yui, Kevin was appointed as non-executive director of the Company on 9 September 2016.

(vi) Mr. Lau Ip Keung Kenneth, Mr. Sin Hendrick, Dr. Yung Bruce Pak Keung and Mr. Szeto Yuk Ting, were appointed as independent non-executive director of the Company on 19 June 2017

(vii) The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

(viii) The non-executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and the Group.

(ix) The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The five highest paid individuals included 2 directors (2016: 1 director) of the Company for the year ended 31 December 2017, details of whose emoluments are included above. The emoluments of the remaining highest paid individual(s) during the year were as follows:

	2017	2016
	HK$'000	*HK$'000*
Employees		
– salaries and other benefits	**2,000**	2,627
– performance-based bonus	**–**	–
– retirement benefits scheme contributions	**54**	72
	2,054	2,699

13. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (continued)

Their emoluments were within the following bands:

	2017 No. of employees	2016 No. of employees
Nil to HK$1,000,000	**3**	4

No emoluments were paid by the Group to the directors and five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years. None of the directors has waived any emoluments for both years.

14. INCOME TAX EXPENSE

	2017 *HK$'000*	2016 *HK$'000*
The taxation charge comprises:		
Current tax:		
Hong Kong	**607**	–
PRC Enterprise Income Tax ("EIT")	**195**	391
Other jurisdictions	**578**	2,204
	1,380	2,595
(Over) underprovision in prior years	**(42)**	1,959
Deferred tax *(note 30)*		
Current year	**(387)**	(294)
	951	4,260

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

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

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 years.

14. INCOME TAX EXPENSE (continued)

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

No Bangladesh income tax was provided in the 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 years.

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

Details of the deferred taxation are set out in note 30.

The income tax expenses for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	HK$'000	*HK$'000*
Profit before tax	**110,415**	37,017
Tax at the Hong Kong Profits Tax rate of 16.5% (2016: 16.5%)	**18,218**	6,108
Tax effect of expenses not deductible for tax purpose	**1,844**	9,870
Tax effect of income not taxable for tax purpose	**(6,944)**	(336)
Tax effect of tax exemptions granted to a subsidiary operated in Bangladesh	**(26,008)**	(14,041)
Tax effect of tax losses not recognised	**13,982**	83
Utilisation of tax losses previously not recognised	**–**	(929)
Tax effect of deductible temporary differences not recognised	**(168)**	166
Effect of different tax rate applicable to subsidiaries operating in the other jurisdictions	**570**	1,558
(Over) underprovision in prior years	**(42)**	1,959
Effect of loss (profit) under 50:50 arrangement	**25**	(831)
Others	**(526)**	653
Income tax expense for the year	**951**	4,260

15. DIVIDENDS

A final dividend of HK8.13 cents per share, in an aggregate amount of approximately HK$50,000,000, in respect of the year ended 31 December 2017 has been proposed by the directors and is subject to approval at the forthcoming annual general meeting.

During the year ended 31 December 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 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 year ended 31 December 2017 and 2016.

16. 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 29 has been effective on 1 January 2016:

	2017 ***HK$'000***	2016 *HK$'000*
Earnings attributable to Owner of the Company:		
Earnings for the purpose of calculating basic earnings per share	**110,151**	32,970
Added: Interest expense on redeemable convertible preferred shares	**778**	–
Change in fair value of redeemable convertible preferred shares	**(32,100)**	–
Earnings for the purpose of calculating diluted earnings per share	**78,829**	32,970
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**468,714**	336,904
Effect of dilutive potential ordinary share:		
Redeemable convertible preferred shares	**65,410**	–
	534,124	336,904

For the year ended 31 December 2016, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding redeemable convertible preferred shares since assuming their conversion would result in an increase in earnings per share, i.e. anti-dilutive.

17. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK$'000	Freehold land and factory buildings HK$'000	Construction in progress HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST OR VALUATION								
At 1 January 2016	71,460	103,724	70,198	46,455	4,392	18,854	11,574	326,657
Additions	15,610	17,188	42,233	10,224	351	1,434	1,558	88,598
Disposals	(628)	–	–	(692)	–	(3,987)	(37)	(5,344)
Transfers to freehold land and factory buildings	–	27,010	(27,010)	–	–	–	–	–
Revaluation increase arising on revaluation	3,395	–	–	–	–	–	–	3,395
Exchange adjustments	(617)	(2,833)	(996)	(862)	(74)	(300)	(269)	(5,951)
At 31 December 2016	89,220	145,089	84,425	55,125	4,669	16,001	12,826	407,355
Additions	–	7,458	50,751	21,834	478	1,186	582	82,289
Disposals	–	–	(40)	(733)	(6)	(487)	(5)	(1,271)
Transfers to freehold land and factory buildings	–	69,441	(69,441)	–	–	–	–	–
Revaluation increase arising on revaluation	12,678	–	–	–	–	–	–	12,678
Exchange adjustments	768	(5,907)	(4,011)	(958)	(116)	(20)	353	(9,891)
At 31 December 2017	102,666	216,081	61,684	75,268	5,025	16,680	13,756	491,160
Comprising								
At cost	–	216,081	61,684	75,268	5,025	16,680	13,756	388,494
At professional valuation	102,666	–	–	–	–	–	–	102,666
At 31 December 2017	102,666	216,081	61,684	75,268	5,025	16,680	13,756	491,160
DEPRECIATION								
At 1 January 2016	–	28,643	–	35,822	2,287	14,019	10,561	91,332
Provided for the year	2,293	9,523	–	5,186	435	2,210	393	20,040
Disposals	–	–	–	(692)	–	(3,701)	(37)	(4,430)
Eliminated on revaluation	(2,293)	–	–	–	–	–	–	(2,293)
Exchange adjustments	–	(1,047)	–	(713)	(56)	(255)	(237)	(2,308)
At 31 December 2016	–	37,119	–	39,603	2,666	12,273	10,680	102,341
Provided for the year	3,365	15,236	–	6,145	436	1,564	924	27,670
Disposals	–	–	–	(733)	(6)	(446)	–	(1,185)
Eliminated on revaluation	(3,463)	–	–	–	–	–	–	(3,463)
Exchange adjustments	98	(284)	–	188	(19)	53	350	386
At 31 December 2017	–	52,071	–	45,203	3,077	13,444	11,954	125,749
Carrying values representing								
Cost	–	164,010	61,684	30,065	1,948	3,236	1,802	262,745
Valuation	102,666	–	–	–	–	–	–	102,666
At 31 December 2017	102,666	164,010	61,684	30,065	1,948	3,236	1,802	365,411
Carrying values representing								
Cost	–	107,970	84,425	15,522	2,003	3,728	2,146	215,794
Valuation	89,220	–	–	–	–	–	–	89,220
At 31 December 2016	89,220	107,970	84,425	15,522	2,003	3,728	2,146	305,014

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The above items of property, plant and equipment other than freehold land and construction in progress are depreciated on a straight-line basis at the following rates per annum:

Factory buildings, leasehold land and buildings	4% or over the respective lease term, whenever is shorter
Machinery and equipment, furniture and fixtures, and leasehold improvements	20%
Motor vehicles	25%

FAIR VALUE MEASUREMENT OF THE GROUP'S LAND AND BUILDINGS

In estimating the fair value of the Group's land and buildings by applying the appropriate valuation techniques and inputs for fair value measurements, 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 techniques and inputs to the model.

The leasehold land and buildings of the Group, in Hong Kong and the PRC, as at 31 December 2017 and 31 December 2016 and the buildings of the Group in the United States and Japan as at 31 December 2017 and 31 December 2016 were revalued by Greater China Appraisal Limited ("Greater China") of which the registered office is at Room 2703, 27/F, Shui On Centre, 6-8 Harbour Road, Wanchai, Hong Kong, an independent qualified professional valuers. Greater China, which is not connected with the Group, is a member of Hong Kong Institute of Surveyors ("HKIS"). The valuations, which conform to the Royal Institute of Chartered Surveyors ("RICS") Valuation Standards (6th Edition) published by the RICS and the HKIS Valuation Standard on Properties (1st Edition 2005) published by the HKIS, were arrived at using the direct comparison approach. The valuation has been adopted by the directors in the financial statements and the property revaluation increase of HK$16,141,000 (2016: HK$5,688,000) have been credited to the property revaluation reserve for the year ended 31 December 2017.

17. PROPERTY, PLANT AND EQUIPMENT (continued)

FAIR VALUE MEASUREMENT OF THE GROUP'S LAND AND BUILDINGS (continued)

The fair value measurements of the Group's leasehold land and buildings as at 31 December 2017 and 31 December 2016 using significant unobservable input (Level 3) are disclosed as below.

Description	Fair value at 31.12.2017 HK$'000	Fair value at 31.12.2016 HK$'000	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
Leasehold land and industrial buildings in Hong Kong	**71,300**	60,100	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from leverage rate of HK$3,370 to HK$3,998 (2016: HK$2,270 to HK$3,000) per square feet	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Car parks in Hong Kong	**940**	700	Direct comparison method	Market unit rate, mainly taking into account the time, location and floor level, between the comparables, which is ranging from HK$918,000 to HK$1,268,000 (2016: HK$700,000) per slot	An increase in the market unit rate used would result in an increase in the fair value of the car parks, and vice versa.
Residential buildings in the PRC	**8,070**	7,725	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from RMB4,804 to RMB74,545 (2016: RMB3,900 to RMB58,000) per square meter	A significant increase in the market unit rate used would result in a significant increase in the fair value of the properties, and vice versa.
Offices in the PRC	**2,853**	2,733	Direct comparison method	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from RMB26,000 to RMB88,523 (2016: RMB11,000 to RMB61,000) per square meter	An significant increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Car parks in the PRC	**336**	311	Direct comparison method	Market unit rate, mainly taking into account the time, location and floor level, between the comparables, which is ranging from RMB94,000 to RMB200,000 (2016: RMB82,000 to RMB190,000) per slot	An increase in the market unit rate used would result in an increase in the fair value of the car parks, and vice versa.
Offices in the Japan	**2,023**	1,935	Direct comparison method	Market unit rate, including time, location, quality, floor level and size, between the comparables, which is ranging from YEN115,100 to YEN269,000 (2016: YEN107,000 to YEN182,000) per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.

17. PROPERTY, PLANT AND EQUIPMENT (continued)

FAIR VALUE MEASUREMENT OF THE GROUP'S LAND AND BUILDINGS (continued)

Description	Fair value at 31.12.2017 HK$'000	Fair value at 31.12.2016 HK$'000	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
Office in the United States	**17,144**	15,716	Direct comparison method	Market unit rate, including time, location, quality, floor level and size, between the comparables, which is ranging from US$212 to US$418 (2016: US$212 to US$428)	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
	102,666	89,220			

There were no transfers into or out of Level 3 during both years.

If the leasehold land and buildings of the Group had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation and their carrying amount would have been approximately HK$33,461,000 (2016: HK$35,052,000) as at 31 December 2017.

18. PREPAID LEASE PAYMENTS

	2017 HK$'000	2016 HK$'000
The Group's prepaid lease payments comprise:		
Leasehold land in the PRC:		
Non-current asset	**19,939**	18,809
Current asset	**362**	336
	20,301	19,145

19. DEPOSITS AND PREPAYMENTS FOR LIFE INSURANCE POLICIES

The Group entered into certain life insurance policies with Mr. Chang Yoe Chong, Felix, a director of the Company. Under the policies, Evergreen Factory, being the beneficiary and policy holder, is required to pay an upfront payment for the policies. Evergreen Factory may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policies at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "Cash Value"). If such withdrawal is made at any time during the first to the eighteenth policy year, as appropriate, a pre-determined specified surrender charge would be imposed.

At the inception date, the upfront payment was separated into deposits placed and prepayments of life insurance premium according to the terms set out in the policy. The management considered that it is immaterial to amortise the prepayment of life insurance premium to profit or loss over the insured period and the deposits placed using the effective interest method. The deposits and prepayments for life insurance policies were recognised at cost accordingly. The deposits placed for the life insurance policy carries guaranteed interests at interest rates ranging from 3.00% to 5.20% (2016: 1.8% to 5.20%) per annum plus a premium determined by the insurance company during the tenures of the policy.

Particulars of the policies are as follows:

Insured sum *HK$'000*	Upfront payment *HK$'000*	Interest rates
2017		
4,588 to 35,100	281 to 7,761	3.00% to 5.20% per annum
2016		
4,000 to 35,100	281 to 7,761	1.80% to 5.20% per annum

20. INVENTORIES

	2017 ***HK$'000***	2016 *HK$'000*
Raw materials	**298,028**	217,386
Work in progress	**41,097**	47,614
Finished goods	**45,915**	52,078
	385,040	317,078

21. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**126,821**	121,633
Other receivables	**7,107**	6,745
Purchase rebate receivables	**16,000**	16,000
Other tax receivables	**3,009**	625
Prepayments	**9,245**	9,471
Deferred listing related expenses	**–**	4,660
Deposits paid to suppliers	**60,455**	32,065
	222,637	191,199

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

	2017	2016
	HK$'000	*HK$'000*
0 – 60 days	**89,509**	81,083
61 – 90 days	**31,184**	23,558
91 – 120 days	**4,070**	13,485
Over 120 days	**2,058**	3,507
	126,821	121,633

The Group allows a 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.

Before accepting any new customers, the Group has an internal credit control system to assess the potential customers' credit quality and the board of directors has delegated the management to be responsible for determination of credit limits and credit approvals for customers. Limits attributed to customers are reviewed periodically. Approximately 91% (2016: 83%) of the trade receivables as at 31 December 2017 are neither past due nor impaired and they were assessed to be of good credit rating attributable under the credit control system used by the Group.

21. TRADE AND OTHER RECEIVABLES (continued)

As at year ended, trade receivables of HK$11,465,000 (2016: HK$20,351,000) are past due but not impaired. Such receivables relate to a number of customers of which substantial subsequent settlements were made. The aging analysis of these trade receivables is as follows:

AGING OF TRADE RECEIVABLES WHICH ARE PAST DUE BUT NOT IMPAIRED

	2017 ***HK$'000***	2016 *HK$'000*
0 – 60 days	**11,035**	16,662
61 – 90 days	**26**	530
91 – 120 days	**128**	2,349
Over 120 days	**276**	810
	11,465	20,351

The Group has not provided impairment loss for all trade receivables because the status of subsequent settlement of the trade receivables is satisfactory.

Most of the Group's trade receivables are denominated in functional currency of the relevant group entities.

22. AMOUNTS DUE FROM (TO) DIRECTORS/ FELLOW SUBSIDIARIES/A RELATED COMPANY/ FORMER ULTIMATE HOLDING COMPANY/ A PREFERRED SHAREHOLDER/A FORMER SHAREHOLDER/IMMEDIATE HOLDING COMPANY/A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

The amounts other than amount due to a preferred shareholder are unsecured, interest-free and repayable on demand. Amount due to a related party represented the amount due to Eastern Earnings (China) Company Limited, in which Mr. Chang Chih Lung, Mr. Chang Yoe Chong, Felix and Mr. Chan Kwok Keung are the directors and shareholders.

Details of amounts due from directors are as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Mr. Chang Chih Lung	–	3,879
Mr. Chang Yoe Chong, Felix	–	20,200
	–	24,079

Maximum amount outstanding during the year:

	2017 ***HK$'000***	2016 *HK$'000*
Mr. Chang Chih Lung	**3,879**	11,525
Mr. Chang Yoe Chong, Felix	**20,200**	51,922

As at 31 December 2016, the amount due to a preferred shareholder was unsecured, interest-free and repayable within twelve months.

All the balances are non-trade nature as at 31 December 2017 and 2016.

23. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged for banking facilities granted to the Group and are therefore classified as current assets.

Included in pledged bank deposits are the following amounts denominated in currency other than functional currencies of the relevant group entities:

	2017 ***HK$'000***	2016 *HK$'000*
Hong Kong dollars	**67,310**	28,126

The deposits carry fixed interest rate ranging from 0.001% to 0.79% (2016: 0.001% to 0.42%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

24. BANK BALANCES AND CASH

Included in bank balances and cash are the following amounts denominated in currency other than functional currency of the relevant group entities:

	2017 ***HK$'000***	**2016** *HK$'000*
Hong Kong dollars	**17,144**	12,755

Bank balances and cash comprise cash held by the Group and short-term bank deposits which carry interest at prevailing market rates of 0% to 1% (2016: 0% to 1%) per annum.

25. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**16,859**	17,127
Accrued staff costs	**17,280**	21,729
Accruals and other payables	**7,013**	15,489
	41,152	54,345

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

	2017	2016
	HK$'000	*HK$'000*
0 – 60 days	**16,859**	17,127

Included in the Group's trade payable are the following amounts denominated in currency other than the functional currency of the relevant group entities:

	2017	2016
	HK$'000	*HK$'000*
Hong Kong dollars	**6,719**	4,222

26. SECURED BANK BORROWINGS

	2017	2016
	HK$'000	*HK$'000*
Trust receipts loans and discounted bills	**154,325**	186,789
Mortgage and short term loans	**351,557**	316,867
	505,882	503,656

The carrying amounts of the borrowings are analysed as follows:

Denominated in	**2017**	2016	**Interest rate**
	HK$'000	*HK$'000*	
HK$	**288,331**	352,712	Hong Kong Dollar Prime Rate minus 2.5% to Hong Kong Dollar Prime Rate plus 1% or HIBOR plus 2.75%
US$	**217,551**	150,944	LIBOR plus 3%

Bank borrowings with repayment on demand clause are classified as current liabilities on the consolidated statement of financial position.

26. SECURED BANK BORROWINGS (continued)

The Group's bank loans are payable as follows:

	2017 **HK$'000**	2016 HK$'000
Bank borrowings are repayable *(Note)*		
Within 1 year	**363,927**	321,378
After 1 year but within 2 years	**76,299**	88,306
After 2 years but within 5 years	**53,056**	82,662
After 5 years	**12,600**	11,310
Total bank borrowings	**505,882**	503,656
Comprising:		
Amounts due within one year shown under current liabilities and containing a repayment on demand clause	**363,927**	321,378
Amounts that are not repayable within one year from the end of the reporting period but containing a repayment on demand clause (shown under current liabilities)	**141,955**	182,278
Total	**505,882**	503,656

Note: The amounts due are based on the scheduled repayment dates set out in the bank borrowings.

The bank borrowings are arranged at floating rates and the average effective interest rates of the borrowings are ranging from 1.75% to 5.00% (2016: 1.39% to 5.25%) per annum.

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

(a) pledge of the Group's bank deposits of approximately HK$100,539,000 (2016: HK$35,912,000);

(b) The Group's lands and buildings and prepaid lease payments in Hong Kong and the PRC of approximately HK$72,240,000 and HK$nil (2016: HK$3,568,000 and HK$1,607,000);

(c) negative pledge on the assets of a subsidiary in the PRC and Bangladesh; and

(d) insurance contracts entered for a director of the Company.

26. SECURED BANK BORROWINGS (continued)

As at 31 December 2016, the Group's banking facilities were also secured by land and buildings in Hong Kong held by subsidiaries of Ventures Day Investment Limited ("Ventures Day", the Company's fellow subsidiary which is under the control of the same controlling shareholder of the Company) and unlimited guarantee provided by directors and fellow subsidiaries of the Company. All guarantees or securities provided by the directors and fellow subsidiaries of the Company and the charges on the land and buildings of subsidiaries of Ventures Day was fully released and the subordination agreement was terminated after the listing of the Company and replacement by corporate guarantee from the Company.

27. OBLIGATION UNDER FINANCE LEASES

The Group leased its motor vehicles under finance leases. The lease term was 2 years as at 31 December 2016. Interest rate underlying the obligation under the finance lease was fixed at the average contract rates at 3.42% per annum as at 31 December 2016. The leases had no term of renewal or purchase options and escalation clauses. No arrangement has been entered into for contingent rental payments.

	Minimum lease payment 2016 *HK$'000*	Present value of minimum lease payment 2016 *HK$'000*
Amount payable under finance leases:		
Within one year	165	165
After 1 year but within 2 years	–	–
	165	165
Less: Future finance charges	–	–
Present value of lease obligations	165	165
Less: Amount due within one year shown under current liabilities		(165)
Amount due after one year		–

The Group's obligation under a finance lease was secured by the lessor's title to the leased asset.

No renewal of the finance lease during the year ended 31 December 2017.

28. DERIVATIVE LIABILITIES

	2017 ***HK$'000***	2016 *HK$'000*
Derivative liabilities		
Foreign currency forward contracts	**–**	2,126
Interest rate swap contract	**733**	859
	733	2,985

Foreign currency forward contracts:

Notional amount at each maturity date	Maturity	Forward exchange rates
As at 31 December 2016		
Buy US$12,000,000	From July 2015 to June 2017 with monthly settlement on notional amount	From July 2015 to June 2017, buying US$12,000,000 if market rate above RMB6.35 to US$1 or below RMB6.21 to US$1
Buy US$1,500,000	From January 2016 to December 2017 with monthly settlement on notional amount	From January 2016 to December 2017, receive HK$18,000 as subsidy, if market rate at or above HK$7.735 to US$1, or buying US$1,500,000 if market rate below HK$7.735 to US$1

Interest rate swap contract:

Notional amount at each maturity date	Maturity	Interest rate
As at 31 December 2017 and 2016		
HK$15,000,000	From July 2016 to July 2021	Fixed rate at 3.28% to be swapped with floating HIBOR

29. SHARE CAPITAL OF THE COMPANY

	Notes	Number of shares	Share capital *US$'000*
Ordinary shares of US$0.01 each			
Authorised:			
At 19 May 2016	*(a)*	5,000,000	50
Increase in authorised share capital	*(c)*	395,000,000	3,950
At 31 December 2016		400,000,000	4,000
Increase through re-designation from redeemable convertible preferred shares	*(h)*	100,000,000	1,000
Increase in authorised share capital	*(e)*	500,000,000	5,000
At 31 December 2017		1,000,000,000	10,000
Issued and fully paid:			
At 19 May 2016	*(b)*	1	–
Issue of ordinary shares pursuant to the group organisation	*(d)*	99,999,999	1,000
At 31 December 2016		100,000,000	1,000
Capitalisation issued	*(f)*	324,341,483	3,243
Issued of shares on initial public offering	*(f)*	153,750,000	1,538
Conversion of redeemable convertible preferred shares *(note 31)*	*(g)*	36,908,517	369
At 31 December 2017		615,000,000	6,150

Shown in the consolidated financial statements as:

	Amount *HK$'000*
At 31 December 2016	7,780
At 31 December 2017	47,847

29. SHARE CAPITAL OF THE COMPANY (continued)

(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 HoldCo 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 31.

(e) The authorised share capital of the Company was increased from US$5,000,000 to US$10,000,000 at par value of US$0.01 each.

(f) 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.

(g) 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.

(h) In July 2017, 100,000,000 issued and unissued redeemable convertible preferred shares were re-designated as ordinary shares at par value of US$0.01 each.

30. DEFERRED TAXATION

	Revaluation of land and buildings *HK$'000*	Accelerated depreciation *HK$'000*	Total *HK$'000*
At 1 January 2016	3,013	(498)	2,515
Charge to equity	513	–	513
Charge to profit or loss	–	(294)	(294)
At 31 December 2016	3,526	(792)	2,734
Charge to equity	1,396	–	1,396
Charge to profit or loss	–	(387)	(387)
At 31 December 2017	4,922	(1,179)	3,743

The Group has unused tax losses of approximately HK$30,913,000 (2016: HK$23,828,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

31. REDEEMABLE CONVERTIBLE PREFERRED SHARES

	Number of shares	Nominal value *HK$'000*
Redeemable convertible preferred shares of US$0.01 each:		
Authorised:		
Balance at 22 June 2016, 31 December 2016	100,000,000	1,000
Converted into ordinary shares	(100,000,000)	(1,000)
Balance at 31 December 2017	–	–
Issued and fully paid:		
Balance at 22 June 2016, 31 December 2016	36,908,517	15,000
Converted into ordinary shares (note 29(g))	(36,908,517)	(15,000)
Balance at 31 December 2017	–	–

31. REDEEMABLE CONVERTIBLE PREFERRED SHARES

(continued)

The 36,908,517 series A the Preferred Shares are designated as financial liabilities at FVTPL.

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 14.00% at 31 December 2016.

The assumptions and key parameters adopted for the valuation of the Preferred Shares as at 31 December 2016 are as follows:

	31 December 2016 Option-pricing method
Methodology	
Estimated probability of the Preferred Shares	
– for redemption	10%
– for conversion	90%
Discount rate	
– for redemption	12.6%
Time to expiration (number of years)	1.25
Preferred shares dividend yield	2%
Compound annual growth rate	10%
Expected volatility	38.5% – 43.6%

The other major assumptions adopted for the option-pricing method valuation of the Preferred Shares as at 31 December 2016 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.

On 12 July 2017 ("Listing Date"), the redeemable convertible preferred shares were converted into the Company's ordinary shares at par value of US$0.01 each. Immediately before the conversion, the fair value of the redeemable convertible preferred shares was approximately HK$173,156,000, which was measured by the Company with reference to the market price on the conversion date as adjusted by an estimated discount rate for the restriction of trading given the converted ordinary shares are prohibited for sale for six months after the Listing Date.

31. REDEEMABLE CONVERTIBLE PREFERRED SHARES

(continued)

The movements of the Preferred Shares for the years ended 31 December 2016 and 2017 are set out below:

	Amount *HK$'000*
At the date of 22 June 2016	165,912
Change in fair value of redeemable convertible preferred shares	39,344
At 1 January 2017	205,256
Change in fair value of redeemable convertible preferred shares	(32,100)
Converted into ordinary shares	(173,156)
At 31 December 2017	–

32. SHARE BASED PAYMENT TRANSACTIONS

SHARE OPTION SCHEME

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.

32. SHARE BASED PAYMENT TRANSACTIONS (continued)

SHARE OPTION SCHEME (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 consolidated financial statements.

SHARE AWARD SCHEME

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

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

No share award have been granted by the Group during the year ended 31 December 2017.

33. RETIREMENT BENEFITS SCHEME

DEFINED CONTRIBUTION SCHEME

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,500 (the "mandatory contributions"). The employees are entitled to 100% of the employer's mandatory contributions upon their retirement at the age of 65, death or total incapacity.

The employees of the Group's factories in the PRC are members of a state-managed retirement benefit plan operated by the government of PRC. The Group are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Provident fund in Bangladesh is not mandatory but the Group is required to create such a fund once half of the employees demand so. The employees of the Group's factories in Bangladesh are covered by a company self-managed provident fund operated by respective subsidiaries of the Group in Bangladesh. Relevant subsidiaries are required to contribute a minimum specified percentage of payroll costs to the provident fund to fund the benefits. Those subsidiaries are obliged to set up the trustee board for managing the contribution to the provident fund with participation from both of the company management team and the employees.

34. 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 fall due as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Within one year	**3,275**	3,224
In the second to fifth year inclusive	**3,668**	4,531
Over five years	**13,040**	10,170
	19,983	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.

35. CAPITAL COMMITMENT

	2017 ***HK$'000***	2016 *HK$'000*
Contracted but not provided in the consolidated financial statements in respect of property, plant and equipment	**–**	508

36. RELATED PARTY TRANSACTIONS

Other than the transaction and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

(A)

	Note	**2017** ***HK$'000***	2016 *HK$'000*
Sales of goods	*(i)*	**–**	337
Computer products and service expenses	*(i)*	**1,080**	1,112

Note:

(i) 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) 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 as disclosed in note 26 for the year ended 31 December 2016. They were fully released after listing.

(C) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The remuneration of directors and other members during the year were as follows:

	2017 ***HK$'000***	2016 *HK$'000*
Short-term employee		
Salaries and other benefits	**4,262**	3,981
Retirement benefit schemes contribution	**105**	98
	4,367	4,079

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

37. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts which includes secured bank borrowings disclosed in note 26, net of cash and cash equivalents and equity attributable to owners of the Group, comprising issued share capital, reserves and retained profits.

The directors of the Group review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt.

38. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2017 ***HK$'000***	2016 *HK$'000*
Financial assets		
Loans and receivables (including cash and cash equivalents)	**366,851**	295,556
Financial liabilities		
Liabilities at amortised cost	**530,467**	588,995
Obligation under finance leases	**–**	165
Derivative liabilities	**733**	2,985
Redeemable convertible preferred shares	**–**	205,256

38. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, amounts due from directors/fellow subsidiaries, deposits for life insurance policies, pledged bank deposits, bank balances and cash, trade and other payables, secured bank borrowings, obligation under finance leases, derivative liabilities, redeemable convertible preferred shares and amounts due to a related company/former ultimate holding company/former shareholder/preferred shareholder/immediate holding company and a non-controlling shareholder of a subsidiary. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group has sales and purchases that are transacted in foreign currencies, which expose the Group to foreign currency risk. In order to reduce the risks associated with foreign currency fluctuations, the Group has entered into certain foreign currency forward contracts to manage their exposures to changes of foreign exchange rate. However, as these foreign currency forward contacts do not qualify for hedge accounting, they are deemed as liabilities held for trading.

At the end of the reporting period, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Liabilities		Assets	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Australian dollars	**–**	–	**723**	703
Canadian dollars	**–**	–	**1,202**	1,163
Euro dollars	**–**	–	**1,439**	1,245
Great British Pound	**–**	–	**782**	699
RMB	**–**	–	**744**	913
HK$	**377,969**	421,177	**59,292**	96,195

38. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

The directors of the Company consider that the Group is exposed to minimal currency risk. Sensitivity on foreign currency risk is therefore not presented.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to pledged bank deposits which carried fixed interest rate.

The Group is exposed to cash flow interest rate risk in relation to bank balances and variable-rate bank borrowings (see note 26 for details of these borrowings). It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. From time to time, if interest rate fluctuates significantly, interest rate swaps may be used to convert some of the floating interest rates borrowings to fixed rates, to manage interest rate exposure. As at 31 December 2017, the Group has entered into interest rate swap contract with details set out in note 28.

The Group's exposures to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime Rate, Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR"), arising from the Group's HK$ and US$ borrowings.

Cash flow interest rate risk in relation to variable-rate bank balances is considered minimal taking into account the minimal fluctuation on market interest rate. Accordingly, no interest rate sensitivity analysis is prepared.

38. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

Sensitivity analysis

The sensitivity analysis below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 50 basis points (2016: 50 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2016: 50 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would decrease/increase by approximately HK$2,112,000 (2016: decrease/increase by HK$2,103,000) respectively.

Other price risk

The Group's derivative liabilities are measured at fair value as at year ended. Therefore, the Group is exposed to other price risk. The management manages this exposure by maintaining a portfolio of investments with different risk profiles. The management considers that the other price risk for derivative liabilities are insignificant and therefore no sensitivity analysis is performed. The Group's sensitivity analysis to redeemable convertible preferred shares is set out in note 38(c).

38. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit risk

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the statement of financial position.

The credit risk on pledged bank deposits and bank balances are limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group's credit risks are primarily attributable to their trade receivables. In order to minimise the credit risk, the management has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade receivable at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risks is significantly reduced.

The Group has concentration of credit risk as 19% and 63% and 26% and 64% of the total trade receivables as at 31 December 2016 and 31 December 2017 are due from the Group's largest customer and the five largest customers, respectively.

In addition, the Group has concentration of credit risk by geographical location as 83% and 98% of the total trade receivables as at 31 December 2016 and 31 December 2017 respectively are due from customers located in the USA.

38. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to settle its financial liabilities as they fall due. In managing liquidity risk, the Group monitors and maintains sufficient funds to meet all its potential liabilities as they fall due. It is applicable to normal market conditions as well as negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation.

Liquidity forecasts are produced on a monthly basis, to ensure that utilisation of current facilities is optimised; on a quarterly basis to ensure that covenant compliance targets and medium-term liquidity is maintained; and on a long-term projection basis, for the purpose of identifying long-term strategic funding requirements. The board of directors also continuously assesses the balance of capital and debt funding of the Group.

The board of directors continuously manages liquidity risk on a regular basis and will increase the frequencies of such assessment should need arise. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves of cash and banking facilities and by continuously monitoring the utilisation of bank borrowings and ensuring compliance with loan covenants.

The Group's holdings of cash and short-term deposits, together with net cash flows from operations and proceeds from issue of new shares, are expected to be sufficient to cover the operating cost of the Group in the next financial year. The management considers that the Group expects to have adequate source of funding to finance the Group and manage the liquidity position.

The following tables detail the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

38. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

In addition, the following table details the Group's liquidity analysis for its derivative financial instruments. The tables have been drawn up based on the undiscounted contractual net cash outflows on derivative financial instruments that settle on a net basis. The liquidity analysis for the Group's derivative financial instruments are prepared based on the contractual maturities as the management consider that the contractual maturities are essential for an understanding of the timing of the cash flows of derivatives.

	Weighted average interest rate %	On demand *HK$'000*	Less than 3 months *HK$'000*	3 – 6 months *HK$'000*	6 months to 1 year *HK$'000*	1 – 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 December 2017								
Financial liabilities								
Non-interest bearing								
Trade payables	N/A	–	16,859	–	–	–	16,859	16,859
Derivative liabilities	N/A	–	–	–	–	733	733	733
Amount due to a non-controlling shareholder of a subsidiary	N/A	7,726	–	–	–	–	7,726	7,726
Interest bearing								
Secured bank borrowings *(note)*	3.33	505,882	–	–	–	–	505,882	505,882
		513,608	16,859	–	–	733	531,200	531,200

38. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

	Weighted average interest rate	On demand	Less than 3 months	3 – 6 months	6 months to 1 year	1 – 5 years	Total undiscounted cash flows	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 December 2016								
Financial liabilities								
Non-interest bearing								
Trade payables	N/A	–	17,127	–	–	–	17,127	17,127
Amount due to a related company	N/A	46,644	–	–	–	–	46,644	46,644
Amount due to former ultimate holding company	N/A	8,587	–	–	–	–	8,587	8,587
Amount due to a former shareholder	N/A	602	–	–	–	–	602	602
Amount due to a preferred shareholder	N/A	–	–	1,234	–	–	1,234	1,234
Amount due to immediate holding company/	N/A	11,145	–	–	–	–	11,145	11,145
Derivative liabilities	N/A	–	1,072	1,072	72	843	3,059	2,985
Interest bearing								
Secured bank borrowings *(note)*	3.51	503,656	–	–	–	–	503,656	503,656
Obligation under finance leases	3.42	–	128	37	–	–	165	165
Redeemable convertible preferred shares	2.00	–	–	–	–	137,115	137,115	205,256
		570,634	18,327	2,343	72	137,958	729,334	*797,401*

38. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk (continued)

Bank loans with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2017, the aggregate carrying amounts of these bank loans amounted to approximately HK$505,882,000 (2016: HK$503,656,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity analysis – Bank loans with a repayment on demand clause based on scheduled repayments

	Interest rate *%*	Less than 1 year *HK$'000*	1 – 2 years *HK$'000*	2 – 5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*
31 December 2017	**3.33**	**370,299**	**85,847**	**58,771**	**12,643**	**527,560**	**505,882**
31 December 2016	3.51	325,683	88,513	84,892	11,967	511,055	503,656

38. FINANCIAL INSTRUMENTS (continued)

(C) FAIR VALUE INSTRUMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial investments that are measured at fair value on a recurring basis

Some of the Group's financial investments are measured at fair value as at year ended. The following table gives information about how the fair values of these financial investments are determined (in particular, the valuation techniques and inputs used).

Financial assets and liabilities	Fair value 2017 HK$'000	Fair value 2016 HK$'000	Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
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.	N/A	N/A
Redeemable convertible preferred shares	Liabilities – nil	Liabilities – 205,256	Level 3	Discounted cash flow analysis and option pricing method key inputs: Compound annual growth rate ("CAGR"), weighted average cost of capital ("WACC") to determine the enterprise fair value, probability of automatic conversion, risk-free rate, time to expiration, dividend yield and volatility	CAGR (10% as at 31 December 2016) Probability of automatic conversion (90% as at 31 December 2016) WACC (14% as at 31 December 2016)	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.

38. FINANCIAL INSTRUMENTS (continued)

(C) FAIR VALUE INSTRUMENTS OF FINANCIAL INSTRUMENTS (continued)

Fair value of the Group's financial investments that are measured at fair value on a recurring basis (continued)

Details of reconciliation from the beginning balance to the ending balance of Level 3 fair value measurements of financial liability regarding the redeemable convertible preferred shares are set out in note 31.

Fair value measurements and valuation processes

In estimating the fair value of the redeemable convertible preferred shares to determine the appropriate valuation techniques and inputs for fair value measurements, 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 valuers to perform the valuation. The directors of the Company work closely with qualified external valuers to establish the appropriate valuation techniques and inputs to the model.

In determining the fair value of redeemable convertible preferred shares, CAGR of approximately 10%, probability of automatic conversion 90% and a WACC of 14% are used as of 31 December 2016.

If CAGR was 5% higher/lower while all the other variables were held constant, the carrying amount of the redeemable convertible preferred shares would increase/decrease by approximately HK$1,045,000 as at 31 December 2016.

If probability of automatic conversion was 5% higher/lower while all the other variables were held constant, the carrying amount of the redeemable convertible preferred shares would increase/decrease approximately HK$3,019,000 as at 31 December 2016.

If WACC was 1% higher while all the other variables were held constant, the carrying amount of the redeemable convertible preferred shares would decrease by approximately HK$25,199,000 as at 31 December 2016.

If WACC was 1% lower while all the other variables were held constant, the carrying amount of the redeemable convertible preferred shares would increase by approximately HK$21,940,000 as at 31 December 2016.

There were no transfers between Level 1 and Level 3 at the end of the reporting period.

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

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to a related company	Amount due to former holding company	Amount due to a former shareholder	Amount due to a preferred shareholder	Amount due to immediate holding company	Amount due to a non-controlling shareholder of a subsidiary	Secured bank borrowings	Obligation under finance leases	Interest payable (included in other payable)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2017	46,644	8,587	602	1,234	11,145	–	503,656	165	–	572,033
Finance costs	–	–	–	–	–	–	–	–	19,713	19,713
Financial cash flows	(46,644)	(8,587)	(602)	(2,012)	(11,145)	7,726	2,226	(165)	(19,713)	(78,916)
Interest on redeemable convertible preferred shares	–	–	–	778	–	–	–	–	–	778
At 31 December 2017	–	–	–	–	–	7,726	505,882	–	–	513,608

40. MAJOR NON-CASH TRANSACTION

During the years ended 31 December 2016, the Group's deposits for acquisition of property, plant and equipment in an amount of HK$9,000 was applied to set off the addition of property, plant and equipment.

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31 December 2017 and 2016 are as follows:

Name	Issued and fully paid-up capital/ contributed capital	Attributable equity interest directly held by the Company 2017	2016	Place of registration/ incorporation	Principal activities
昆明訓修髮製品有限公司 Kunming Evergreen Hair Products Co., Ltd.	HK$45,526,000	100%	100%	PRC	Manufacturing and trading of hair products
訓修實業(禹州)有限公司 Evergreen Products Factory (YZ) Co., Ltd.	US$2,000,000	100%	100%	PRC	Manufacturing and trading of hair products
訓修實業(深圳)有限公司 Evergreen Products Factory (SZ) Co., Ltd.	US$2,400,000	100%	100%	PRC	Technological development of hair products and property investment
東莞訓修髮製品有限公司 Evergreen Products Factory (DG) Co., Ltd. (Formerly known as 廣州訓修髮製品有限公司 Evergreen Products Factory (GZ) Co., Ltd.)	US$1,500,000	100%	100%	PRC	Property investment
深圳訓修髮製品有限公司 Shenzhen Evergreen Hair Products Co., Ltd.	HK$3,000,000	100%	100%	PRC	Manufacturing and trading of hair products
廣州市東珍纖維有限公司 Guangzhou Dong Jin Industrial Co., Ltd.	US$350,000	100%	100%	PRC	Manufacturing and trading of hair products
Evergreen Products Factory (BD) Limited	Taka1,000,050,000	100%	100%	Bangladesh	Manufacturing and trading of hair products
EPF Global Enterprises Limited	HK$10,000	100%	100%	Hong Kong	Trading of hair products
EPF International Limited	HK$10,000	100%	100%	Hong Kong	Trading of hair products

41. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

(continued)

Name	Issued and fully paid-up capital/ contributed capital	Attributable equity interest directly held by the Company 2017	2016	Place of registration/ incorporation	Principal activities
Gold Timing Manufacture (BD) Limited	Taka100,000	100%	100%	Bangladesh	Manufacturing and trading of hair products
TFA Holdings Limited	GBP100	51%	51%	UK	Sales of hair products
Wisdom Ocean Limited	HK$10,000	100%	100%	Hong Kong	Trading of hair products through internet
Dong Jin Industrial Company Limited	HK$1,955,000	100%	100%	Hong Kong	Trading of fibres and investment holding
Gold Rocket Limited	Taka100,000	100%	100%	Bangladesh	Provision of logistic services to group companies
Trillion Gold Limited	Taka100,000	100%	100%	Bangladesh	Construction of NPT-05 Factory
Dong Jin Industrial (BD) Company Limited	Taka100,000	100%	100%	Bangladesh	Manufacturing, export and import of hair products
I-Corporation	YEN3,000,000	100%	100%	Japan	Trading of hair products
Golden Chance Limited	YEN3,000,000	100%	100%	Japan	Trading of hair products through internet
E5 Co., Ltd.	YEN9,000,000	51%	51%	Japan	Trading of hair products
Purple Stone Inc.	US$1,000	100%	100%	USA	Property holding
Purple Star Inc.	US$1,000	100%	100%	USA	Trading of hair products through internet
Red Stone Inc.	US$50,000	100%	100%	USA	Property holding
Evergreen Products Factory Limited 訓修製品廠有限公司	HK$3,000,000	100%	100%	Hong Kong	Manufacturing and trading of hair products and investment holdings

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2017	2016
	HK$'000	*HK$'000*
Non-current assets		
Investment in a subsidiary	**473,712**	171,081
Current assets		
Trade and other receivables	**–**	4,661
Amounts due from a subsidiary	**–**	52,557
Bank balances and cash	**3,696**	54
	3,696	57,272
Current liabilities		
Trade and other payables	**1,000**	10,091
Amount due to a preferred shareholder	**–**	1,234
Amount due to a subsidiary	**–**	13,982
	1,000	25,307
Net current assets	**2,696**	31,965
	476,408	203,046
Capital and reserves		
Share capital	**47,847**	7,780
Reserves	**428,561**	(9,990)
Equity attributable to owners of the Company	**476,408**	(2,210)
Non-current liabilities		
Redeemable convertible preferred shares	**–**	205,256
	476,408	203,046

43. RESERVE OF THE COMPANY

MOVEMENT IN THE COMPANY'S RESERVE

	Share premium *HK$'000*	(Accumulated loss) retained profit *HK$'000*	Total *HK$'000*
At 19 May 2016 (date of incorporation)	–	–	–
Loss for the year and total comprehensive expense	–	(9,990)	(9,990)
At 31 December 2016	–	(9,990)	(9,990)
Profit for the year and total comprehensive income	–	71,601	71,601
Ordinary share issued	241,726	–	241,726
Transaction costs attributable to issue of new ordinary shares	(19,827)	–	(19,827)
Conversion of redeemable convertible preferred shares	170,285	–	170,285
The effect of capitalisation issue	(25,234)	–	(25,234)
At 31 December 2017	366,950	61,611	428,561

44. EVENT AFTER THE REPORTING PERIOD

On 16 January 2018, the Company granted 5,333,334 shares to certain directors, senior management and employees under the Share Award Scheme. As at the date of the report, those shares granted represented approximately 0.87% of the total issued shares of the Company. The management of the Company is in the process of estimating the financial impact.

Four-Year Financial Summary

Results				
	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	533,908	554,479	595,682	**647,343**
Gross profit	174,104	194,841	211,253	**230,220**
Profit before taxation	71,764	71,375	37,017	**111,662**
Profit for the year attributable to:	70,373	68,739	32,757	**110,711**
Owners of the Company	70,326	68,706	32,970	**111,398**
Non-controlling interests	47	33	(213)	**(687)**
Basic earnings per share (HK cents)	0.21	0.20	0.10	**0.24**
Dividends	20,000	268,000	50,000	**50,000**

Assets and liabilities				
	2014	2015	2016	**2017**
	HK$'000	*HK$'000*	*HK$'000*	***HK$'000***
Non-current assets	355,567	276,836	353,809	**410,580**
Current assets	462,237	516,964	630,687	**827,193**
Current liabilities	411,033	462,768	633,389	**612,230**
Net current assets	51,204	54,196	(2,702)	**214,963**
Non-current liabilities	5,450	2,688	207,990	**3,743**
Net assets	401,321	328,344	143,117	**621,800**

Note: The above four-year financial summary is presented as the Company was newly listed on the Main Board of the Stock Exchange on 12 July 2017 and it is not practicable for the Company to present the financial summary of the Group prior to 2014. The results and summary of assets and liabilities for each of the three years ended 31 December 2014, 2015 and 2016 are extracted from the prospectus of the Company dated 29 June 2017.