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

2018
Interim 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

Management Discussion and Analysis

The board (the "Board") of directors (the "Directors") of Evergreen Products Group Limited (the "Company") is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group") for the six months ended 30 June 2018 (the "Period"), together with the comparative figures for the corresponding period in 2017.

BUSINESS REVIEW

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, targeting different ethnic groups and the Halloween market.

As at 30 June 2018, the Group had three production centres in China and two production centres in Bangladesh. The production centres in China occupy a site area of approximately 113,163 square metres with a total gross floor area ("GFA") of 54,091 square metres, and the production centres in Bangladesh occupy a site area of approximately 68,967 square metres with a total GFA of 109,944 square metres. In January 2018, construction of the Group's GT Hand Tie Facility, which is dedicated to producing hand tied extensions, was completed and the new facility has commenced production.

During the Period, as a result of the Group's effective strategic factory deployment plan, the production facilities in Bangladesh (the "Bangladesh Factory"), which house the Group's principal manufacturing capacity, contributed significantly to the Group's profitability.

OUTLOOK

To meet the anticipated increase in demand for its products and to capture business opportunities brought by the growing hair goods industry, the Group intends to further expand its production capacity and the scope of its operations in Bangladesh to include human hair sourcing, bleaching and dyeing, printing and cartoning. The Group plans to complete construction of the remaining three new production facilities in Bangladesh by the end of 2019. One of them (the "Bleaching and Dyeing Complex") is close to completion and trial run has begun after which formal operation will start. In addition, the Group completed construction of another production facility (the "UEPZ Printing Facility") early this year and trail run has begun after which formal operation will start. As at 30 June 2018, GFA of 35,077 square metres had been built for the Bleaching and Dyeing Complex and GFA of 10,145 square metres had been built for the UEPZ Printing Facility, representing a total GFA of 45,222 square metres. Construction of the third and the last planned new facility where cartoning will be done is expected to commence around the end of 2018.

In addition, the Group will continue to expand its product portfolio and, in order to improve production efficiency, it will consolidate raw material processing and the hair goods production functions in Bangladesh, and together with the increasing production capacity, the Group will be able to maintain profitability.

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

FINANCIAL REVIEW

During the Period, the Group's financial results improved compared with the same period in 2017, primarily due to improved sales revenue and profitability growth powered by an increase in economies of scale at the Bangladesh Factory.

REVENUE

The Group generates revenue mainly from manufacturing and sale of its products. Revenue of the Group comprises the amount received by the Group and the receivables from 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 Period, the Group's revenue amounted to HK$373.3 million, representing an increase of HK$67.5 million, or 22.1%, as compared to HK$305.8 million for the corresponding period in 2017. The increase was primarily due to the result of long-standing stable business relationships with the Group's existing clients and the strong overall market demand for its wigs and hair products. During the Period, market demand for the Group's wigs products continued to grow, and such demand was satisfied by the rapid increase in production capacity of the Bangladesh Factory. The Bangladesh Factory, which had consistent enhancement in its production capabilities and continued to steadily develop during the Period, remained as the main revenue source of the Group, bracing its profitability growth. During the Period, revenue generated from hair goods made at the Bangladesh Factory accounted for 89.5% of the Group's total revenue as compared to 87.1% for the corresponding period in 2017.

The United States continued to be the Group's principal market during the Period. Revenue from the United States accounted for 82.7% of the Group's total revenue during the Period as compared to 81.3% for the corresponding period in 2017. By product segment, wigs, hair accessories and others remained as the Group's key product segment accounting for 72.9% of its total revenue during the Period as compared to 67.4% for the corresponding period in 2017.

Wigs, hair accessories and others. Revenue from the segment increased by HK$65.9 million, or 32.0%, from HK$206.1 million for the six months ended 30 June 2017 to HK$272.0 million for the Period. The increase was primarily due to: (i) an increase in sales of high margin products such as lace wigs, whereas the sales of low margin products such as braids declined, and (ii) a significant increase in sales of own branded products sold directly to end-users through e-commerce during the Period.

High-end human hair extensions. Revenue from the segment increased by HK$4.8 million, or 6.8%, from HK$71.0 million for the six months ended 30 June 2017 to HK$75.8 million for the Period, primarily due to slightly higher sales volume driven by increased production of the Bangladesh Factory.

Halloween products. Revenue from the segment decreased by HK$3.2 million, or 11.1%, from HK$28.7 million for the six months ended 30 June 2017 to HK$25.5 million for the Period, primarily due to early delivery of finished goods for the corresponding period in 2017 when compared to the Period.

COST OF GOODS SOLD

The Group's cost of goods sold increased by HK$42.2 million, or 21.2%, from HK$199.4 million for the six months ended 30 June 2017 to HK$241.6 million for the Period, primarily due to an increase in sales during the Period.

Wigs, hair accessories and others. Cost of goods sold for the segment increased by HK$41.8 million, or 29.2%, from HK$143.3 million for the six months ended 30 June 2017 to HK$185.1 million for the Period, corresponding with an increase in sales of such products during the Period. The increase was also attributable to a change in product mix to include more wigs and lace wigs during the Period, which require longer time and higher cost to produce than simple braids.

High-end human hair extensions. Cost of goods for the segment increased slightly by HK$0.1 million, or 0.3%, from HK$37.7 million for the six months ended 30 June 2017 to HK$37.8 million for the Period. The increase was much lower than the increase in revenue from this segment as the Group had carried out tightened control of wastage of raw materials during production.

Halloween products. Cost of goods sold for the segment increased by HK$0.3 million, or 1.6%, from HK$18.4 million for the six months ended 30 June 2017 to HK$18.7 million for the Period. The increase was due to the fact that the Group had set up an additional Halloween design unit in the Bangladesh Factory, which required additional costs.

GROSS PROFIT

The Group continued to enjoy low labour costs at the Bangladesh Factory during the Period, which contributed positively to the overall improvement of its gross profit. During the Period, the Group's gross profit amounted to HK$131.7 million, representing an increase of HK$25.4 million, or 23.9%, as compared to HK$106.3 million for the corresponding period in 2017, primarily due to an increase in sales of high margin products such as lace wigs. During the Period, the Group's gross profit margin was 35.3%, representing an increase of 0.5 percentage points from 34.8% for the corresponding period in 2017.

Wigs, hair accessories and others. Gross profit of the segment increased by HK$24.2 million, or 38.6%, from HK$62.7 million for the six months ended 30 June 2017 to HK$86.9 million for the Period. Gross profit margin for wigs, hair accessories and others increased slightly from 30.4% for the six months ended 30 June 2017 to 32.0% for the Period, primarily due to: (i) a change in product mix during the Period to include more wigs and lace wigs, which have higher profit margin, and (ii) increased sales of own branded products sold directly to end-users through e-commerce pushing up profit margin of the segment.

High-end human hair extensions. Gross profit of the segment increased by HK$4.7 million, or 14.1%, from HK$33.3 million for the six months ended 30 June 2017 to HK$38.0 million for the Period. Gross profit margin for high-end human hair extensions increased from 46.9% for the six months ended 30 June 2017 to 50.1% for the Period, as a result of an increase in sales of the Group's own branded products during the Period, which have higher profit margin than similar products sold under other brands.

Halloween products. Gross profit for the segment decreased by HK$3.5 million, or 34.0%, from HK$10.3 million for the six months ended 30 June 2017 to HK$6.8 million for the Period, in line with a decrease in revenue from the segment during the Period. Gross profit margin of the segment decreased from 35.9% for the six months ended 30 June 2017 to 26.7% for the Period, primarily due to additional costs being incurred from setting up an additional Halloween product design unit at the Bangladesh Factory.

OTHER INCOME

Other income increased by HK$0.4 million, or 133.3%, from HK$0.3 million for the six months ended 30 June 2017 to HK$0.7 million for the Period, primarily due to an increase in income from warehouse rentals and an increase in interest income during the Period.

OTHER GAINS AND LOSSES

Other gains and losses decreased by HK$0.1 million, or 10.0%, from a loss of HK$1.0 million for the six months ended 30 June 2017 to a loss of HK$0.9 million for the Period, primarily due to a decrease in exchange losses and absence of a gain from changes in fair value of the Group's foreign currency forward contracts during the Period.

CHANGE IN FAIR VALUE OF REDEEMABLE CONVERTIBLE PREFERRED SHARES

As at 30 June 2017, there were 36,908,517 series A redeemable and convertible preferred shares of par value of US$0.01 each in the share capital of the Company (the "Preferred Shares"). The Group recognised a gain from change in fair value of redeemable convertible preferred shares of HK$16.8 million for the six months ended 30 June 2017, primarily due to change in fair value of the Preferred Shares in the first half of 2017.

All the Preferred Shares were converted, on a one-to-one basis, into 36,908,517 ordinary shares (the "Shares") of the Company immediately before the completion of the global offering of the Company in July 2017. Therefore, no change in fair value of redeemable convertible preferred shares was recognised during the Period.

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses increased by HK$2.0 million, or 29.4%, from HK$6.8 million for the six months ended 30 June 2017 to HK$8.8 million for the Period, primarily due to an increase in advertising and commission expenses for boosting sales during the Period.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by HK$14.4 million, or 30.0%, from HK$48.0 million for the six months ended 30 June 2017 to HK$62.4 million for the Period, primarily due to an increase in bank charges, staff salary and corresponding pension payments during the Period.

OTHER EXPENSES

Other expenses decreased by HK$12.8 million, or 97.0%, from HK$13.2 million for the six months ended 30 June 2017 to HK$0.4 million for the Period, primarily due to absence of listing expenses being recognised during the Period as compared to the six months ended 30 June 2017 and a decrease in donation made by the Group from HK$1.7 million for the six months ended 30 June 2017 to HK$0.4 million for the Period.

FINANCE COSTS

Finance costs increased by HK$0.3 million, or 3.9%, from HK$7.7 million for the six months ended 30 June 2017 to HK$8.0 million for the Period. During the Period, the Group capitalised interest on bank borrowings of HK$2.8 million as cost of qualifying assets (30 June 2017: HK$2.9 million). Without such capitalisation, the increase in finance costs, as compared with the corresponding period in 2017, was HK$0.2 million, or 1.9%, for the Period, primarily due to an increase in bank borrowings.

TAXATION

Income tax expense of the Group remained at HK$0.2 million for both the six months ended 30 June 2017 and the Period. Income tax expense was net off against the reversal of deferred taxation in the amount of HK$0.1 million for both the six months ended 30 June 2017 and the Period.

NET PROFIT

The Group's net profit for the Period was HK$51.7 million, representing an increase of HK$5.0 million, or 10.7%, as compared to HK$46.7 million for the corresponding period in 2017, primarily attributable to: (i) one one-off and non-operating expense recognised during the Period, which is the value of employee services of HK$3.0 million (30 June 2017: Nil) in respect of the share awards granted, under the share award scheme adopted by the Company on 11 December 2017 (the "Share Award Scheme") during the Period; (ii) absence of two one-off and non-recurring listing-related items during the Period as compared with corresponding period in 2017, during which a gain of HK$16.8 million from a change in fair value of redeemable convertible preferred shares and net off against the listing expenses of HK$11.5 million were recognised; and (iii) an increase in net profit arising from the manufacturing and sale of hair products.

Without taking into account the value of employee services of HK$3.0 million, the listing expenses of HK$11.5 million and the change in fair value of redeemable convertible preferred shares of HK$16.8 million for both periods, the Group's adjusted net profit for the Period was HK$54.7 million, representing an increase of HK$13.3 million, or 32.1%, as compared with HK$41.4 million for the corresponding period in 2017.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's bank balances, pledged bank deposits and cash decreased by 13.5% from HK$191.7 million as at 31 December 2017 to HK$165.8 million as at 30 June 2018. The decrease in cash and bank balances for the Period was primarily due to the utilisation of part of the proceeds from the listing for construction payments and operating expense such as salary and utilities payment with regards to the Bangladesh Factory during the Period.

BORROWINGS AND GEARING RATIO

As at 30 June 2018, the Group's banking facilities amounted to HK$691.7 million, of which HK$61.9 million remained unutilised. As at 30 June 2018, the gearing ratio of the Group, which is equivalent to total interest-bearing debt (including secured bank borrowings and obligations under finance leases) divided by total equity, was 94.2% as compared to 75.3% as at 31 December 2017. The Group considered that it has sufficient financial resources to meet its commitments and working capital requirements.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

During the Period, the Group spent approximately HK$70.3 million (including interest on bank borrowings of HK$2.8 million capitalised as the cost of qualifying assets) on additions to fixed assets as compared to HK$34.5 million for the corresponding period in 2017 mainly to further upgrade and expand its manufacturing capabilities in Bangladesh. As at 30 June 2018, the Group had authorised a capital commitment of HK$8.4 million in respect of acquisition of offices in Thailand and Ukraine.

FOREIGN EXCHANGE RISK

The Group has sales and purchases denominated in foreign currencies, such as U.S. dollars and Renminbi, which expose the Group to foreign currency risk. The Group mainly operates in China and Bangladesh where its operating expenses are denominated in Renminbi and Bangladeshi Taka, respectively, while the majority of the Group's sales are settled in U.S. dollars. With increased production of the Group in Bangladesh (revenue contributed by the Bangladesh Factory having increased to 89.5% during the Period (30 June 2017: 87.1%)) and U.S. dollars being the main foreign currency used in the operations in Bangladesh and Hong Kong, the use of U.S. dollars by the Group has increased as a whole. However, the Board considers that the Group is exposed to minimal currency risk as Hong Kong dollars are pegged to U.S. dollars. The Group estimated that any 1% appreciation of Bangladeshi Taka or Renminbi is not expected to have a material impact on the Group's gross profit margin.

For the Period, the Group had certain outstanding foreign currency forward contracts to buy U.S. dollars to hedge against any fluctuation in the exchange rate of U.S. dollars.

CONTINGENT LIABILITIES

As at 30 June 2017 and 2018, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2018, the Group's banking facilities were secured by:

(a) a pledge of the Group's bank deposits of approximately HK$82.8 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 30 June 2018, the Group employed a total of (i) 18,046 employees in Bangladesh, as compared to 14,499 as at 30 June 2017, (ii) 679 employees in China, as compared to 770 as at 30 June 2017, (iii) 65 employees in Hong Kong, as compared to 76 as at 30 June 2017, and (iv) 8 employees in Japan and the United States, as compared to 8 as at 30 June 2017.

Total employee expenditures during the Period amounted to HK$129.1 million (including value of employee services of HK$3.0 million in respect of the share awards granted under the Share Award Scheme during the Period) as compared to HK$100.0 million for the corresponding period in 2017. The Group operates a defined contribution retirement scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all qualified employees. Employees of the Group's factories in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. For employees in Bangladesh, the Group is currently not subject to any compulsory social insurance contribution, but they are covered by a self-managed provident fund operated by respective subsidiaries of the Group in Bangladesh.

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

Save as disclosed in this report, (i) there were no significant investments held, nor were there any material acquisitions or disposals during the Period; and (ii) no plans have been authorised by the Board for any material investments or additions of capital assets as at 30 June 2018.

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

On 13 July 2018, 1,333,000 Shares out of the 5,333,334 Shares granted by the Company under the Share Award Scheme vested in three Directors and certain senior management and employees. Details of the Share Award Scheme are set out in the section headed "Share Award Scheme" of this report.

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

The Shares were listed on the main board of the Stock Exchange on 12 July 2017. The Group received net proceeds (after deduction of underwriting commissions and related costs and expenses) from the initial public offering of approximately HK$204.7 million.

As at 30 June 2018, 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 *%*
Construction of additional production facilities in the Group's Bangladesh production base	100.7	86.0	85.4%
Relocation of the Group's research and display centre and sales office in Dongguan, Guangdong	20.5	–	–
Expansion of the Group's business, including establishing sales offices for high-end human hair extensions in Asia, further development of the Group's e-commerce business, and expansion of the Group's Halloween costume sales	22.1	13.0	58.8%
Repayment of outstanding trust receipt loans	40.9	40.9	100%
Working capital and general corporate purposes	20.5	20.5	100%
Total	204.7	160.4	78.4%

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

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK4.2 cents per Share for the Period (30 June 2017: Nil), totaling approximately HK$25.8 million based on a total of 615,000,000 Shares in issue as at the date of this report.

The interim dividend will be payable on Thursday, 20 September 2018 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 14 September 2018.

CLOSURE OF REGISTER OF MEMBERS

For determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 12 September 2018 to Friday, 14 September 2018, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim dividend, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 11 September 2018.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company has adopted the principles as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 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, 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.

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

As at 30 June 2018, the interests or short positions of the Directors and chief executives' of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) LONG POSITION IN THE SHARES OF THE COMPANY

Name of Director/chief executive	Capacity/nature of interest	Number of Shares	Approximate percentage of issued share capital of the Company[(8)]
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%
Mr. Chan Kwok Keung	Beneficial owner	1,000,000[(3)]	0.16%
Mr. Kwok Yau Lung Anthony	Beneficial owner	333,333[(4)]	0.05%
Ms. Jia Ziying	(i) Beneficial owner	400,000[(5)]	0.07%
	(ii) Interest of spouse	100,000[(7)]	0.02%
Mr. Li Yanbo	(i) Beneficial owner	100,000[(6)]	0.02%
	(ii) Interest of spouse	400,000[(7)]	0.07%

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) These Shares were granted by the Company to Mr. Chan Kwok Keung on 16 January 2018 pursuant to the Share Award Scheme.

(4) These Shares were granted by the Company to Mr. Kwok Yau Long Anthony on 16 January 2018 pursuant to the Share Award Scheme.

(5) These Shares were granted by the Company to Ms. Jia Ziying on 16 January 2018 pursuant to the Share Award Scheme.

(6) These Shares were granted by the Company to Mr. Li Yanbo on 16 January 2018 pursuant to the Share Award Scheme.

(7) Ms. Jia Ziying is the spouse of Mr. Li Yanbo. As such, Ms. Jia Ziying and Mr. Li Yanbo are deemed to be interested in each other's interest.

(8) Based on a total of 615,000,000 issued Shares as at 30 June 2018.

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

Name of Director/ chief executive	Name of our associated corporations	Capacity/nature of interest	Number of shares interested	Approximate percentage of shareholding
Mr. Chang Chih Lung[(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%

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)]	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%
Mr. Chang Chih Lung[(3)]	Eastern Earnings (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%

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]	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%
Mr. Chang Yoe Chong Felix[3]	Golden Image Ventures Limited[2]	Beneficiary of a trust/ Founder of a discretionary trust	1	100%
Mr. Chang Yoe Chong Felix[3]	Market Focus Ventures Limited[2]	Beneficiary of a trust/ Founder of a discretionary trust	1	100%
Mr. Chang Yoe Chong Felix[3]	Punchline Ventures Limited[2]	Beneficiary of a trust/ Founder of a discretionary trust	1	100%
Mr. Chang Yoe Chong Felix[3]	Smart Plus Ventures Limited[2]	Beneficiary of a trust/ Founder of a discretionary trust	1	100%
Mr. Chang Yoe Chong Felix[3]	Eastern Earnings (China) Company Limited[4]	Beneficiary of a trust/Founder of a discretionary trust	1,000,000	100%
Mr. Chang Yoe Chong Felix[3]	Sunleaf Holdings Limited[4]	Beneficiary of a trust/Founder of a discretionary trust	7,000	70%
		Interest 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%

Name of Director/ chief executive	Name of our associated corporations	Capacity/nature of interest	Number of shares interested	Approximate percentage of shareholding
Mr. Chang Yoe Chong Felix[(3)]	Evergreen 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 30 June 2018, none of the Directors or the chief executives of the Company had any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

So far as the Directors are aware, as at 30 June 2018, the following corporations/persons had interests of 5% or more in the issued Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under section 336 of the SFO:

LONG POSITION IN THE SHARES OF THE COMPANY

Name of shareholder	Capacity/nature of interest	Number of Shares	Approximately percentage of issued share capital of our Company[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	108,912,197	17.71%
Codan Trust Company (Cayman) Limited[3]	Interest in controlled corporation	108,912,197	17.71%

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 and is indirectly controlled by Codan Trust Company (Cayman) Limited. Codan Trust Company (Cayman) Limited 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 30 June 2018.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2018, the Directors have not been notified by any person who had interests or short position in Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

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

As at 30 June 2018, no option has been granted or agreed to be granted under the share option scheme.

SHARE AWARD SCHEME

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

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.

Since the adoption date and up to 30 June 2018, the Company had granted a total of 5,333,334 Shares under the Share Award Scheme, representing approximately 0.87% of the total issued Shares as at 30 June 2018.

As at 30 June 2018, the trustee of the Share Award Scheme held a total of 5,334,000 Shares, of which 5,333,334 Shares had been granted to certain Directors, senior management and employees of the Company. The remaining shares remain as trust fund and will be used for grant of share awards in future.

As at the date of this report, the trustee of the Share Award Scheme has transferred a total of 1,333,000 Shares upon vesting of such Shares in certain grantees.

Details of the movement in the Shares under the Share Award Scheme during the Period are as follows:

Date of grant	Grantees	Number of Shares Granted during the Period	Vested during the Period	Lapsed during the Period	As at 30 June 2018	Vesting schedule
16 January 2018	Chan Kwok Keung	1,000,000	–	–	1,000,000[(1)]	To vest on 13 July of each year from 2018 to 2021
	Kwok Yau Lung Anthony	333,333	–	–	333,333[(2)]	
	Jia Ziying	400,000	–	–	400,000[(3)]	
	Li Yanbo	100,000	–	–	100,000	
	Other grantees	3,500,001	–	–	3,500,001[(4)]	
	Total	5,333,334	–	–	5,333,334	

Notes:

(1) As at the date of this report, 250,000 Shares had vested after the Period.

(2) As at the date of this report, 111,000 Shares had vested after the Period.

(3) As at the date of this report, 133,000 Shares had vested after the Period.

(4) As at the date of this report, 839,000 Shares had vested after the Period.

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

During the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities, except that the trustee of the Share Award Scheme purchased a total of 5,334,000 Shares at a total consideration of HK$8.0 million pursuant to the terms of the rules and the trust deed of the Share Award Scheme.

CHANGES IN INFORMATION OF DIRECTORS

Changes in information of the Directors since the publication of the annual report of the Company for the year ended 31 December 2017, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

- The annual amount of the director's emolument of Mr. Kwok Yau Lung Anthony, an executive Director, has been increased from HK$754,000 to HK$802,000 with effect from 27 March 2018.

- The annual amount of the director's emolument of Mr. Chan Kwok Keung, an executive Director, has been increased from HK$1,058,000 to HK$1,081,000 with effect from 27 March 2018.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

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

By Order of the Board
Evergreen Products Group Limited
Chang Yoe Chong Felix
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 28 August 2018

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF EVERGREEN PRODUCTS GROUP LIMITED
(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Evergreen Products Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 25 to 60, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 'Interim Financial Reporting' ('HKAS 34') issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

28 August 2018

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	Six months ended **30.6.2018** ***HK$'000*** **(Unaudited)**	30.6.2017 *HK$'000* (Unaudited)
Revenue	*3*	**373,330**	305,758
Cost of goods sold		**(241,573)**	(199,447)
Gross profit		**131,757**	106,311
Other income		**682**	340
Other gains and losses	*4*	**(941)**	(958)
Distribution and selling expenses		**(8,759)**	(6,759)
Administrative expenses		**(62,365)**	(48,009)
Other expenses	*5*	**(424)**	(13,153)
Change in fair value of redeemable convertible preferred shares	*18*	**–**	16,848
Finance costs	*6*	**(7,999)**	(7,722)
Profit before tax		**51,951**	46,898
Income tax expense	*7*	**(194)**	(150)
Profit for the period	*8*	**51,757**	46,748
Other comprehensive expense for the period:			
Item that will not be reclassified to profit or loss:			
Surplus on revaluation of land and buildings		**–**	5,762
Deferred tax existing from revaluation of land and buildings		**–**	(433)
		–	5,329
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**173**	1,491
		173	1,491
Other comprehensive income for the period, net of income tax		**173**	6,820
Total comprehensive income for the period		**51,930**	53,568

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2018

	Notes	Six months ended 30.6.2018 HK$'000 (Unaudited)	30.6.2017 HK$'000 (Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		**52,065**	47,213
Non-controlling interests		**(308)**	(465)
		51,757	46,748
Total comprehensive income (expense) attributable to:			
Owners of the Company		**52,238**	54,084
Non-controlling interests		**(308)**	(516)
		51,930	53,568
Earnings per share (HK$)			
– basic	10	**0.09**	0.14
– diluted		**0.08**	0.07

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	30.6.2018 HK$'000 (Unaudited)	31.12.2017 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**422,344**	365,411
Prepaid lease payments		**19,757**	19,939
Deposits for acquisition of property, plant and equipment		**24,898**	22,415
Financial assets at fair value through profit or loss		**25,230**	25,230
		492,229	432,995
CURRENT ASSETS			
Inventories	12	**429,235**	385,040
Trade and other receivables	13	**273,132**	222,637
Prepaid lease payments		**362**	362
Tax recoverable		**865**	865
Pledged bank deposits	14	**82,837**	100,539
Bank balances and cash		**82,959**	91,154
		869,390	800,597
CURRENT LIABILITIES			
Trade and other payables	15	**45,140**	41,152
Contract liabilities		**3,287**	–
Amount due to a non-controlling shareholder of a subsidiary		**7,726**	7,726
Tax payable		**2,631**	2,554
Secured bank borrowings	16	**629,787**	505,882
Derivative liabilities		**733**	733
		689,304	558,047
NET CURRENT ASSETS		**180,086**	242,550
TOTAL ASSETS LESS CURRENT LIABILITIES		**672,315**	675,545

Condensed Consolidated Statement of Financial Position

At 30 June 2018

	Notes	30.6.2018 HK$'000 (Unaudited)	31.12.2017 HK$'000 (Audited)
CAPITAL AND RESERVES			
Share capital	17	**47,847**	47,847
Reserves		**621,762**	624,605
Equity attributable to owners of the Company		**669,609**	672,452
Non-controlling interests		**(958)**	(650)
TOTAL EQUITY		**668,651**	671,802
NON-CURRENT LIABILITIES			
Deferred taxation		**3,664**	3,743
		672,315	675,545

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2018

	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000	Property revaluation reserve HK$'000	Share award reserve HK$'000	Shares held for share award scheme HK$'000 (Note 19)	Other reserves HK$'000	Translation reserve HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2018 (audited)	47,847	366,950	(53,992)	79,057	–	–	(76)	(17,266)	249,932	672,452	(650)	671,802
Profit (loss) for the period	–	–	–	–	–	–	–	–	52,065	52,065	(308)	51,757
Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	–	173	–	173	–	173
Total comprehensive income (expense) for the period	–	–	–	–	–	–	–	173	52,065	52,238	(308)	51,930
Employee share award scheme:												
– Value of employee services	–	–	–	–	2,919	–	–	–	–	2,919	–	2,919
– Shares withheld for share award schemes	–	–	–	–	–	(8,000)	–	–	–	(8,000)	–	(8,000)
Dividend paid	–	–	–	–	–	–	–	–	(50,000)	(50,000)	–	(50,000)
At 30 June 2018 (unaudited)	47,847	366,950	(53,992)	79,057	2,919	(8,000)	(76)	(17,093)	251,997	669,609	(958)	668,651
At 1 January 2017 (audited)	7,780	–	(53,992)	64,312	–	–	(76)	(14,788)	139,781	143,017	100	143,117
Profit (loss) for the period	–	–	–	–	–	–	–	–	47,213	47,213	(465)	46,748
Surplus on revaluation of land and buildings	–	–	–	5,762	–	–	–	–	–	5,762	–	5,762
Deferred tax arising from revaluation of land and buildings	–	–	–	(433)	–	–	–	–	–	(433)	–	(433)
Exchange differences arising from translation of foreign operations	–	–	–	–	–	–	–	1,542	–	1,542	(51)	1,491
Total comprehensive income (expense) for the period	–	–	–	5,329	–	–	–	1,542	47,213	54,084	(516)	53,568
At 30 June 2017 (unaudited)	7,780	–	(53,992)	69,641	–	–	(76)	(13,246)	186,944	197,101	(416)	196,685

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2018

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net cash used in operating activities	**(11,552)**	(8,629)
Net cash used in investing activities		
Withdrawal of pledged bank deposits	**17,702**	–
Interest received	**122**	63
Proceeds from disposal of property, plant and equipment	**179**	89
Purchase of property, plant and equipment	**(67,510)**	(31,550)
Deposit paid for acquisition of property, plant and equipment	**(2,483)**	–
Repayment from directors	**–**	24,079
Receipts from withdrawal of insurance contracts	**–**	6,814
Repayment from fellow subsidiaries	**–**	824
Placement of pledged bank deposits	**–**	(41,989)
	(51,990)	(41,670)
Net cash from financing activities		
Increase in trust receipt loan and discounted bills	**107,785**	116,286
New mortgage and short term loans raised	**80,000**	318,135
Repayment of mortgage and short term loans	**(63,880)**	(320,585)
Dividend paid	**(50,000)**	–
Interest paid	**(10,773)**	(9,846)
Proceeds for purchase of shares for share award scheme	**(8,000)**	–
Repayment to a related company	**–**	(46,644)
Repayment to an immediate holding company	**–**	(11,145)
Repayment to former ultimate holding company	**–**	(8,587)
Interest paid to a preferred shareholder	**–**	(2,012)
Repayment to a former shareholder	**–**	(602)
Repayment of finance lease	**–**	(165)
	55,132	34,835
Net decrease in cash and cash equivalents	**(8,410)**	(15,464)
Cash and cash equivalents at beginning of the period	**91,154**	60,377
Effect of foreign exchange rate changes	**215**	3,136
Cash and cash equivalents at end of the period, represented by bank balances and cash	**82,959**	48,049

1. BASIS OF PREPARATION

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

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed 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 amounts, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs") and described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

EQUITY-SETTLED SHARE-BASED PAYMENT

Awarded shares granted to employees

When trustee of the share award scheme purchases the Company's shares from the open market, the consideration paid, including any directly attributable incremental costs, is presented as shares held for share award scheme and deducted from total equity. No gain or loss is recognised on the transactions of the Company's own shares.

The fair value of services received is determined by reference to the fair value of share awards granted at the grant date and is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share award reserve).

2. PRINCIPAL ACCOUNTING POLICIES (continued)

APPLICATION OF NEW AND AMENDMENTS TO HKFRSs

In the current reporting period, the Group has applied, for the first time, the following new and amendments to HKFRS issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC) – Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014 – 2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS"

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the manufacturing and trading of hair products.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 "Revenue" and HKAS 11 "Construction Contracts" and the related interpretations.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS" (continued)

2.1.1 Key Changes in Accounting Policies Resulting from Application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- 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 Group satisfies a performance obligation.

Under HKFRS 15, the Group 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.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS" (continued)

2.1.1 Key Changes in Accounting Policies Resulting from Application of HKFRS 15 (continued)

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Variable consideration

For contracts that contain variable consideration (quality of the hair products), the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period. There is no material impact on the timing and amounts of total revenue recognised in the current year.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 15 "REVENUE FROM CONTRACTS WITH CUSTOMERS" (continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15

A contract liability is recognised by the Group when deposit is received in advance from the customers at the time of acceptance of a contract with the customer, which represented the Group's obligation to transfer goods to the customers.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, 1 January 2018. In addition, in accordance with the transition provision in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Since all contracts are completed at 1 January 2018, no adjustments were made to the condensed consolidated statement of financial position at 1 January 2018.

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018 and its condensed consolidated statement of profit or loss and other comprehensive income for the current interim period for each of the line items affected. Line items that were not affected by the changes have not been included.

	Note	**As reported**	**Adjustments**	**Amounts without application of HKFRS 15**
		HK$'000	HK$'000	HK$'000
Current Liabilities				
Trade and other payables		45,140	3,287	48,427
Contract liabilities	*(a)*	3,287	(3,287)	–

Note:

(a) As at 30 June 2018, deposits received in advance from customers of HK$3,287,000 were classified as contract liabilities.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 "FINANCIAL INSTRUMENTS"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9, i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

In addition, the Group applied the hedge accounting prospectively.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

2.2.1 Key Changes in Accounting Policies Resulting from Application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 "FINANCIAL INSTRUMENTS" (continued)

2.2.1 Key Changes in Accounting Policies Resulting from Application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 "FINANCIAL INSTRUMENTS" (continued)

2.2.1 Key Changes in Accounting Policies Resulting from Application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

Financial assets at FVTPL (continued)

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets without significant financing component. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 "FINANCIAL INSTRUMENTS" (continued)

2.2.1 Key Changes in Accounting Policies Resulting from Application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 "FINANCIAL INSTRUMENTS" (continued)

2.2.1 Key Changes in Accounting Policies Resulting from Application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

Significant increase in credit risk (continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 “FINANCIAL INSTRUMENTS” (continued)

2.2.1 Key Changes in Accounting Policies Resulting from Application of HKFRS 9 (continued)

Classification and measurement of financial assets (continued)

Measurement and recognition of ECL (continued)

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, where the corresponding adjustment is recognised through a loss allowance account.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group’s existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. No material impact on the amount recognised in the both year/period.

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.2 IMPACTS AND CHANGES IN ACCOUNTING POLICIES OF APPLICATION ON HKFRS 9 "FINANCIAL INSTRUMENTS" (continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Note	**Financial assets at FVTPL** *HK$'000*
Closing balance at 31 December 2017		
– HKAS 39		–
Effect arising from initial application of HKFRS 9:		
Reclassification		
From deposits and prepayments for life insurance policies	*(a)*	25,230
Opening balance at 1 January 2018		25,230

Note:

(a) Deposits element of life insurance policies of HK$25,230,000 is reclassified to financial assets at FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments are not solely payments of principal and interest on the principal amount outstanding. No fair value gains or losses were accumulated as at 1 January 2018.

3. REVENUE AND SEGMENT INFORMATION

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

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

3. REVENUE AND SEGMENT INFORMATION (continued)

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

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Wigs, hair accessories and other	**272,004**	206,083
High-end human hair extensions	**75,833**	70,999
Halloween products	**25,493**	28,676
	373,330	305,758

All the Group revenue is recognised at a point of time.

4. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Net gain from changes in fair value of derivative liabilities	**–**	1,770
Gain on disposal of property, plant and equipment	**179**	89
Net foreign exchange loss	**(1,120)**	(2,817)
	(941)	(958)

5. OTHER EXPENSES

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Donation expense	**424**	1,613
Listing expenses	**–**	11,540
	424	13,153

6. FINANCE COSTS

	Six months ended 30.6.2018 HK$'000 (Unaudited)	Six months ended 30.6.2017 HK$'000 (Unaudited)
Interest on bank borrowings	**10,773**	9,846
Less: amount capitalised in the cost of qualifying assets	**(2,774)**	(2,903)
	7,999	6,943
Interest on finance lease	**–**	1
Interest on redeemable convertible preferred shares	**–**	778
	7,999	7,722

7. INCOME TAX EXPENSE

	Six months ended 30.6.2018 HK$'000 (Unaudited)	Six months ended 30.6.2017 HK$'000 (Unaudited)
The taxation charge comprises:		
Current tax:		
PRC Enterprise Income Tax ("EIT")	**61**	49
Other jurisdictions	**212**	387
	273	436
Overprovision in prior years:		
Other jurisdictions	**–**	(153)
	273	283
Deferred tax:		
Current period	**(79)**	(133)
	194	150

7. INCOME TAX EXPENSE (continued)

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

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

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

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

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

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

8. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Amortisation of prepaid lease payments	**140**	172
Depreciation of property, plant and equipment	**13,348**	13,342
Total depreciation and amortisation	**13,488**	13,514
Interest income	**(122)**	(63)
Rental income from warehouses	**(338)**	(276)
Cost of inventories recognised as expense (included in cost of goods sold)	**241,573**	199,447
Operating lease payments in respect of rented premises	**2,065**	2,233

9. DIVIDENDS

During the current interim period, a final dividend of HK8.13 cents per share in respect of the year ended 31 December 2017 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to HK$50,000,000 (2017: Nil).

Subsequent to the end of the current interim period, the directors of the Company have determined that an interim dividend of HK4.20 cents per share amounting to HK$25,830,000 in aggregate (30 June 2017: Nil) will be paid to the owners of the Company whose names appear on the register of members of the Company on 14 September 2018.

10. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2018	30.6.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings attributable to owners of the Company:		
Earnings for the purpose of calculating basic earnings per share	**52,065**	47,213
Add: Interest expenses on redeemable convertible preferred shares	**–**	778
Change in fair value of redeemable convertible preferred shares	**–**	(16,848)
Earnings for the purpose of diluted earnings per share	**52,065**	31,143

10. EARNINGS PER SHARE (continued)

	Six months ended	
	30.6.2018	30.6.2017
	'000	*'000*
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**610,108**	336,904
Effect of dilutive potential ordinary shares:		
Redeemable convertible preferred shares	**–**	124,346
Share awards issued	**4,892**	–
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**615,000**	461,250

The weighted average number of ordinary shares for the purpose of basic earnings per share shown above has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company as set out in Note 19.

11. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the period ended 30 June 2018, the Group spent approximately HK$67,510,000 (six months ended 30 June 2017: HK$31,550,000 (unaudited)) on property, plant and equipment.

12. INVENTORIES

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Raw materials	**336,378**	298,028
Work in progress	**48,505**	41,097
Finished goods	**44,352**	45,915
	429,235	385,040

13. TRADE AND OTHER RECEIVABLES

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade receivables	**129,759**	126,821
Other receivables	**18,535**	7,107
Purchase rebate receivables	**13,000**	16,000
Other tax receivables	**2,843**	3,009
Prepayments	**20,283**	9,245
Deposits paid to suppliers	**88,712**	60,455
	273,132	222,637

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

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

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 60 days	**99,182**	89,509
61 – 90 days	**21,907**	31,184
91 – 120 days	**6,744**	4,070
Over 120 days	**1,926**	2,058
	129,759	126,821

14. PLEDGED BANK DEPOSITS

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

The deposits carry fixed interest rate ranging from 0.001% to 1.89% (31 December 2017: 0.001% to 0.79%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

15. TRADE AND OTHER PAYABLES

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trade payables	**19,464**	16,859
Accrued staff costs	**15,868**	17,280
Accruals and other payables	**9,808**	7,013
	45,140	41,152

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

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
0 – 60 days	**19,464**	16,859

16. SECURED BANK BORROWINGS

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Trust receipts loans and discounted bills	**262,110**	154,325
Mortgage and short term loan	**367,677**	351,557
	629,787	505,882

The carrying amounts of the borrowings are analysed as follows:

	30.6.2018	31.12.2017	Interest rate
	HK$'000	*HK$'000*	
	(Unaudited)	(Audited)	
HK$	**394,020**	288,331	Hong Kong Dollar Prime Rate minus 2.5% to Hong Kong Dollar Prime Rate plus 1% or HIBOR plus 2.75%
US$	**235,767**	217,551	LIBOR plus 3%

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

16. SECURED BANK BORROWINGS (continued)

The Group's bank borrowings are payable as follows:

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Bank borrowings are repayable *(Note)*		
Within 1 year	**507,916**	363,927
After 1 year but within 2 years	**65,235**	76,299
After 2 years but within 5 years	**46,281**	53,056
After 5 years	**10,355**	12,600
Total bank borrowings	**629,787**	505,882
Comprising:		
Amounts due within one year shown under current liabilities and containing a repayment on demand clause	**507,915**	363,927
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)	**121,872**	141,955
Total	**629,787**	505,882

Notes: The Group's secured bank borrowings were subject to variable interest rates based on Hong Kong Dollar Prime Rate, Hong Kong Interbank Offered Rate ("HIBOR") and London Interbank Offered Rate ("LIBOR"). The range of effective interest rates during the period are from 1.75% to 5.00% (31 December 2017: 1.75% to 5.00%).

17. SHARE CAPITAL OF THE COMPANY

	Notes	Number of shares *'000*	Share capital *US$'000*
Ordinary shares of US$0.01 each			
Authorised:			
At 1 January 2017		400,000,000	4,000
Increase through re-designation from redeemable convertible preferred shares	*(a)*	100,000,000	1,000
Increase in authorised share capital	*(b)*	500,000,000	5,000
At 31 December 2017, 1 January 2018 and 30 June 2018		1,000,000,000	10,000
Issued and fully paid:			
At 1 January 2017		100,000,000	1,000
Capitalisation issued	*(c)*	324,341,483	3,243
Issued of shares on initial public offering	*(c)*	153,750,000	1,538
Conversion of redeemable convertible preferred shares *(note 18)*	*(d)*	36,908,517	369
At 31 December 2017, 1 January 2018 and 30 June 2018		615,000,000	6,150

Shown in the consolidated financial statements as:

	Amount ***HK$'000***
At 31 December 2017 and 30 June 2018	**47,847**

(a) 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.

(b) 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.

(c) 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.

(d) 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.

18. REDEEMABLE CONVERTIBLE PREFERRED SHARES

	Number of shares	Nominal value *HK$'000*
Redeemable convertible preferred shares of US$0.01 each:		
Authorised:		
At 1 January 2017	**100,000,000**	**1,000**
Converted into ordinary shares	**(100,000,000)**	**(1,000)**
At 31 December 2017, 1 January 2018 and 30 June 2018	**–**	**–**
Issued and fully paid:		
At 1 January 2017	**36,908,517**	**15,000**
Converted into ordinary shares *(note 17(d))*	**(36,908,517)**	**(15,000)**
At 31 December 2017, 1 January 2018 and 30 June 2018	**–**	**–**

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

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

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

	30 June 2017 option-pricing method (unaudited)
Methodology	
Estimated probability of the Preferred Shares	
– for redemption	0%
– for conversion	100%
Discount rate	
– for redemption	N/A
Time to expiration (number of years)	0.73
Preferred shares dividend yield	2%
Compound annual growth rate	10%
Expected volatility	16.0% – 34.6%

18. REDEEMABLE CONVERTIBLE PREFERRED SHARES
(continued)

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

(a) The estimation of risk free rate is based on the yield to maturity of the Hong Kong Government Bond matured at time close to the initial public offering timing as of valuation date.

(b) Volatility is estimated based on annualised standard deviation of daily stock price return of comparable companies.

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.

The movements of the Preferred Shares for the year/period ended 31 December 2017 and 30 June 2018 are set out below:

	Amount *HK$'000*
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, 1 January 2018 and 30 June 2018	**–**

19. SHARE BASED PAYMENT TRANSACTIONS

SHARE OPTION SCHEME

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

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

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

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

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

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

19. SHARE BASED PAYMENT TRANSACTIONS (continued)

SHARE AWARD SCHEME

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

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

On 16 January 2018, the Group granted 5,333,334 awarded shares of the Company to the employees of the Group, recognised the fair value of services received of HK$2,919,000 as equity-settled share-based payments in the condensed consolidated income statement during the current interim period.

The closing price of the shares of the Company immediately before the grant of awarded shares was HK$1.50 per share.

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

Financial assets and liabilities	Fair value as at		Fair value hierarchy	Valuation techniques and key inputs	Significant unobservable inputs	Sensitivity
	30/06/18	31/12/17				
	HK$'000	*HK$'000*				
Derivative liability – interest rate swaps	Liabilities – 733	Liabilities – 733	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

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

FAIR VALUE MEASUREMENT AND VALUATION PROCESS

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

There were no transfers between Level 1 and Level 3 during the six months ended 30 June 2018 and 2017.

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

21. PLEDGE OF ASSETS

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

	30.6.2018	31.12.2017
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Pledged bank deposits	**82,837**	100,539
Property, plant and equipment	**210,230**	211,679
Deposits and prepayments for life insurance policies *(note)*	**23,039**	23,039
	316,106	335,257

Notes: As at 30 June 2018, the life insurance policies carry insured amount of approximately US$11,921,000 (equivalent to HK$92,745,000) (31 December 2017: US$11,921,000 (equivalent to HK$92,745,000)).

As at 30 June 2018 and 31 December 2017, the Group's banking facilities were also secured by:

(a) Negative pledge on the assets of certain subsidiaries in the PRC and Bangladesh.

22. OPERATING LEASE COMMITMENTS

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

	30.6.2018 HK$'000 (Unaudited)	31.12.2017 HK$'000 (Audited)
Within one year	3,337	3,275
In the second to fifth year inclusive	4,405	3,668
After five years	12,713	13,040
	20,455	19,983

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.

23. CAPITAL COMMITMENT

	30.6.2018 HK$'000 (Unaudited)	31.12.2017 HK$'000 (Audited)
Contracted but not provided in the statements of financial position in respect of property, plant and equipment	8,358	–

24. RELATED PARTY TRANSACTIONS

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

(a)

	Note	Six months ended 30.6.2018 HK$'000 (Unaudited)	Six months ended 30.6.2017 HK$'000 (Unaudited)
Computer product and service expenses	*(i)*	**540**	540

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

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

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

	Six months ended 30.6.2018 HK$'000 (Unaudited)	Six months ended 30.6.2017 HK$'000 (Unaudited)
Short-term employee		
Salaries and other benefits	**1,347**	1,516
Retirement benefits scheme contribution	**33**	17
	1,380	1,533

25. EVENTS AFTER THE REPORTING PERIOD

As at the date of this report, 1,333,000 shares have been transferred to grantees of the Share Award Scheme.

26. APPROVAL OF INTERIM FINANCIAL INFORMATION

The interim financial information was approved by the Board of Directors on 28 August 2018.