

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



2020

INTERIM REPORT



CONTENTS

Corporate Information	2
Management Discussion and Analysis	4
Corporate Governance and Other Information	13
Report on Review of Condensed Consolidated Financial Statements	22
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	23
Condensed Consolidated Statement of Financial Position	25
Condensed Consolidated Statement of Changes in Equity	27
Condensed Consolidated Statement of Cash Flows	28
Notes to the Condensed Consolidated Financial Statements	29

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

Mr. Hui Wing Ki

Ms. Jia Ziyang

Mr. Li Yanbo

NON-EXECUTIVE DIRECTORS

Mr. Chan Lau Yui Kevin
Mr. Chan Hoi Sing Harold
(resigned with effect from 12 July 2020)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Ip Keung Kenneth
Mr. Sin Hendrick
Dr. Yung Bruce Pak Keung
(resigned with effect from 12 July 2020)
Mr. Szeto Yuk Ting
Ir. Cheung Siu Wa

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
(resigned with effect from 12 July 2020)
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
(resigned with effect from 12 July 2020)

NOMINATION COMMITTEE

Mr. Chang Yoe Chong Felix *(Chairman)*
Mr. Lau Ip Keung Kenneth
Mr. Sin Hendrick
Dr. Yung Bruce Pak Keung
(resigned with effect from 12 July 2020)
Mr. Szeto Yuk Ting

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

Corporate Information

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 54, 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 2020 (the “**Period**”), together with the comparative figures for the corresponding period in 2019.

BUSINESS REVIEW

The year of 2020 is definitely a difficult and challenging year to the Group. During the current Period, the Group maintained a similar level of revenue of approximately HK\$368.2 million but recorded a significant decrease in net profit to approximately HK\$6.5 million, representing a decrease of approximately 1.9% and approximately 86.4% as compared to the corresponding period ended 30 June 2019, respectively. The Period under review started on a good note from January to March 2020. In the first quarter of 2020, we enjoyed increasing production capacity in our expanded production facilities in Bangladesh (the “**Bangladesh Factory**”). We did not have any negative financial and production impact from the novel coronavirus pneumonia (“**COVID-19**”) even when it spread severely in China and some Asian countries. Our main production is in Bangladesh and approximately 85.8% of our export is to the United States. We even recorded a sales increment of over 20% in the first quarter of 2020 when compared to the same period in 2019. However, the COVID-19 pandemic spread to the United States since the end of March 2020 which inflicted a serious blow to our business in April 2020. Fortunately, our high quality products which are a necessity in nature and our strong customer base have restored our market demands and their shipments in late May and June 2020. Hence, the Group’s revenue for the Period was able to catch up to the similar level as recorded in the corresponding period ended 30 June 2019.

Other than the above, the impact from the COVID-19 pandemic during the Period has deteriorated the Group’s gross profit margin and net profit margin. We offered special discounts on sales of products to customers during this tough Period. We also noticed a change in our product mix during the Period. The sales of human hair products with high margin decreased while sales of braid products with low margin increased. This was because major retail channels of our human hair products such as hair salons and retail shops selling hair products were forced to be closed as a result of the social distancing measures adopted during the COVID-19 outbreak and affected our sales of human hair products as a result. Our gross profit margin dropped to 23.8% when compared to 33.5% for the corresponding period ended 30 June 2019. Accordingly, net profit margin was also affected and dropped to 1.8% when compared to 12.8% for the corresponding period ended 30 June 2019.

OUTLOOK

Facing the challenge of uncertainty in the coming year globally, the Group has made all efforts to reduce costs and overheads in an effort to reduce the impact on profitability and preserve working capital. The Group has continuously imposed staffing policy at its Bangladesh Factory and closely monitors the pricing policy towards customers with an aim to maintain the Group’s strength for its long term development and enable the Group to get through this difficult time and recover its profitability soonest possible. Moreover, the Group plans to raise funds from the equity market by placing new shares to further improve the availability of its working capital to meet its current and potential business needs such as the plans of downstream integration by setting up more sales offices in other Asian countries and integration with some one-stop hair care centres. Besides, the Group intends to develop and operate a private economic zone in Bangladesh.

Management Discussion and Analysis

The Board believes that the effect from the COVID-19 pandemic on the Group is short-term and the market demand for high margin products will restore gradually towards the end of this year. The Group will continue to focus on its core business, closely monitor the latest development in the industry and adjust its pricing policy to prepare for any future opportunities, while maximizing our shareholders' value.

FINANCIAL REVIEW

During the Period, the Group's financial results deteriorated compared with the same period in 2019, primarily due to the net effect of sales increment as a result of expanded production capacity in the first quarter of 2020 and a drop in sales due to the COVID-19 pandemic in the second quarter of 2020.

REVENUE

Revenue of the Group is mainly generated from the manufacturing and sale of its products. Revenue represents the amount received by the Group and the receivables 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\$368.2 million, representing a slight decrease of HK\$7.1 million, or 1.9%, as compared to HK\$375.3 million for the corresponding period in 2019. During the first quarter of 2020, market demand for the Group's wig products continued to grow, and such demand was satisfied by the rapid increase in the production capacity at the Bangladesh Factory. The Bangladesh Factory, which has consistent enhancement in its production capabilities and continued to steadily develop during the first quarter, remained as the main revenue source of the Group, facilitating its revenue growth. The Group recorded an increment in revenue of over 20% in the first quarter of 2020. However, during the second quarter of 2020, the effect from the COVID-19 pandemic intensified. Revenue dropped seriously in April and May 2020. Fortunately, revenue picked up again in June 2020 and as a result, the overall revenue for the whole Period was able to maintain as compared to the same period in 2019. During the Period, the revenue generated from hair goods made at the Bangladesh Factory accounted for 96.1% of the Group's total revenue as compared to 92.1% for the corresponding period in 2019.

The United States remained as the Group's principal market during the Period with revenue contribution accounting for 85.8% of the Group's total revenue during the Period as compared to 82.3% for the corresponding period in 2019. In terms of product segment, wigs, hair accessories and others remained as the Group's key product segment accounting for 80.1% of its total revenue during the Period as compared to 69.4% for the corresponding period in 2019.

Wigs, hair accessories and others. Revenue for wigs, hair accessories and others increased by HK\$34.6 million, or 13.3%, from HK\$260.6 million for the six months ended 30 June 2019 to HK\$295.2 million for the Period. The increase was primarily due to a significant increase in sales of braid items, which were one of the popular products.

Management Discussion and Analysis

High-end human hair extensions. Revenue for high-end human hair extensions decreased by HK\$35.1 million, or 40.6%, from HK\$86.4 million for the six months ended 30 June 2019 to HK\$51.3 million for the Period, primarily due to a shift from sales of human hair products with high margin to sales of braid products with low margin due to the economic effect of the COVID-19 pandemic.

Halloween products. Revenue for Halloween products decreased by HK\$6.5 million, or 23.0%, from HK\$28.3 million for the six months ended 30 June 2019 to HK\$21.8 million for the Period, primarily due to a decrease in sales volume as a result of the COVID-19 pandemic.

COST OF GOODS SOLD

The Group's cost of goods sold increased by HK\$31.0 million, or 12.4%, from HK\$249.7 million for the six months ended 30 June 2019 to HK\$280.7 million for the Period, primarily due to an increase in costs in connection with an increase in sales of low-margin braid products during the Period.

Wigs, hair accessories and others. Cost of goods sold for wigs, hair accessories and others increased by HK\$51.0 million, or 27.9%, from HK\$182.9 million for the six months ended 30 June 2019 to HK\$233.9 million for the Period, corresponding with an increase in sales of low-margin braid products during the Period.

High-end human hair extensions. Cost of goods sold for high-end human hair extensions decreased by HK\$15.4 million, or 32.3%, from HK\$47.7 million for the six months ended 30 June 2019 to HK\$32.3 million for the Period. The decrease was in line with a decrease in revenue from this segment.

Halloween products. Cost of goods sold for Halloween products slightly decreased by HK\$4.6 million, or 24.1%, from HK\$19.1 million for the six months ended 30 June 2019 to HK\$14.5 million for the Period. The decrease was in line with the decreased sales volume of Halloween products during the Period.

GROSS PROFIT

During the Period, the Group's gross profit amounted to HK\$87.5 million, representing a decrease of HK\$38.1 million, or 30.3%, as compared to HK\$125.6 million for the corresponding period in 2019, primarily due to a significant increase in sales of braid products which generated a relatively low gross profit. During the Period, the Group's gross profit margin was 23.8%, representing a decrease of 9.7% from 33.5% for the corresponding period in 2019.

Wigs, hair accessories and others. Gross profit for wigs, hair accessories and others decreased by HK\$16.5 million, or 21.2%, from HK\$77.7 million for the six months ended 30 June 2019 to HK\$61.2 million for the Period. Gross profit margin for wigs, hair accessories and others decreased from 29.8% for the six months ended 30 June 2019 to 20.7% for the Period, primarily due to a significant increase in sales of braid products which have a relatively low margin.

High-end human hair extensions. Gross profit for high-end human hair extensions decreased by HK\$19.7 million, or 50.9%, from HK\$38.7 million for the six months ended 30 June 2019 to HK\$19.0 million for the Period. Gross profit margin for high-end human hair extensions decreased from 44.8% for the six months ended 30 June 2019 to 37.0% for the Period, as a result of a decrease in sales but at the same time there remained a similar level of production overheads as for the corresponding period ended 30 June 2019.

Management Discussion and Analysis

Halloween products. Gross profit for Halloween products decreased by HK\$1.9 million, or 20.7%, from HK\$9.2 million for the six months ended 30 June 2019 to HK\$7.3 million for the Period, which was in line with a decrease in revenue from the segment during the Period. Gross profit margin for Halloween products increased from 32.5% for the six months ended 30 June 2019 to 33.5% for the Period, primarily due to an increase in average selling prices of Halloween products during the Period.

OTHER INCOME

Other income increased by HK\$1.0 million, or 83.3%, from HK\$1.2 million for the six months ended 30 June 2019 to HK\$2.2 million for the Period, primarily due to an increase in income from warehouse rentals during the Period.

OTHER GAINS AND LOSSES

Other gains and losses decreased by HK\$10.2 million, or 392.3%, from gains of HK\$2.6 million for the six months ended 30 June 2019 to losses of HK\$7.6 million for the Period, primarily due to a loss amounting to HK\$6.2 million resulting from a fire at the Bangladesh Factory occurred during the Period destroying certain machineries and inventories and a loss amounting to HK\$1.3 million from the disposal of certain key-man life insurance contracts for one of the Directors during the Period.

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

During the Period, the Group provided impairment allowance of HK\$1.7 million in respect of trade receivables (2019: nil).

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses decreased by HK\$0.5 million, or 8.8%, from HK\$5.7 million for the six months ended 30 June 2019 to HK\$5.2 million for the Period, primarily due to a decrease in shipping expenses in respect of the sales conducted during the Period.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by HK\$8.3 million, or 12.5%, from HK\$66.2 million for the six months ended 30 June 2019 to HK\$57.9 million for the Period, primarily due to tightened control on such expenses under the current economic situation.

OTHER EXPENSES

Other expenses decreased by HK\$0.4 million, or 66.7%, from HK\$0.6 million for the six months ended 30 June 2019 to HK\$0.2 million for the Period, primarily due to a decrease in donation made during the Period.

Management Discussion and Analysis

FINANCE COSTS

Finance costs increased by HK\$0.8 million, or 8.6%, from HK\$9.3 million for the six months ended 30 June 2019 to HK\$10.1 million for the Period. During the Period, the Group capitalised interest on bank borrowings of HK\$6.5 million as cost of qualifying assets (30 June 2019: HK\$7.4 million). Without such capitalisation, finance costs for the Period were maintained with a slight decrease by HK\$0.1 million, or 0.6%, as compared with the corresponding period in 2019.

TAXATION

Income tax expense of the Group increased by HK\$1.0 million, or 250.0%, from a reverse of taxation of HK\$0.4 million for the six months ended 30 June 2019 to a taxation of HK\$0.6 million for the Period, primarily due to the income tax provided for the operation in the PRC and Bangladesh.

NET PROFIT

The Group's net profit for the Period was HK\$6.5 million, representing a decrease of HK\$41.4 million, or 86.4%, as compared to HK\$47.9 million for the corresponding period in 2019, primarily attributable to the significant negative impact from the outbreak of the COVID-19 disease, which resulted in: (i) special discounts on sales of products having been offered to customers; and (ii) a shift of product mix from less sales of human hair extension products with high margin to more sales of braid products with low margin when compared to the corresponding period in 2019 as a result of the adverse market conditions during the Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's bank balances, pledged bank deposits and cash increased by 22.2% from HK\$129.2 million as at 31 December 2019 to HK\$157.9 million as at 30 June 2020. The increase in cash and bank balances for the Period was primarily due to the measures from banks for postponement on the repayment of bank loans and trade facilities during the Period.

The Group's trade and other receivables decreased by 5.5% from HK\$319.2 million as at 31 December 2019 to HK\$301.7 million as at 30 June 2020. The decrease was primarily due to a decrease in trade receivables as a result of the COVID-19 pandemic causing a drop in revenue in April and May 2020.

BORROWINGS AND GEARING RATIO

As at 30 June 2020, the Group's banking facilities amounted to HK\$726.1 million, of which HK\$48.3 million remained unutilised. As at 30 June 2020, 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 84.9% as compared to 83% as at 31 December 2019. The Group considered that it has sufficient financial resources to meet its commitments and working capital requirements.

Management Discussion and Analysis

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

During the Period, the Group spent approximately HK\$19.4 million (including interest on bank borrowings of HK\$6.5 million capitalised as the cost of qualifying assets) on additions to fixed assets as compared to HK\$68.8 million (including interest on bank borrowings of HK\$7.4 million capitalised as the cost of qualifying assets) for the corresponding period in 2019 mainly to tighten capital spending given the unpredictability associated with the COVID-19 global outbreak. As at 30 June 2020, the Group had capital commitments of HK\$0.4 million in respect of property, plant and equipment (31 December 2019: HK\$0.1 million).

FOREIGN EXCHANGE RISK

The Group has sales and purchases denominated in foreign currencies, such as U.S. dollars and Renminbi, which expose the Group to foreign currency risk. The Group mainly operates in the PRC and Bangladesh where its operating expenses are denominated in Renminbi and Bangladeshi Taka, respectively, while the majority of the Group's sales are settled in U.S. dollars. With increased production of the Group in Bangladesh (revenue contributed by the Bangladesh Factory having increased to 96.1% during the Period (30 June 2019: 92.1%)) 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 2020, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2020, the Group's banking facilities were secured by:

- (a) pledge of the Group's bank deposits of approximately HK\$113.7 million;
- (b) the Group's land, buildings and car parks in Hong Kong of approximately HK\$88.2 million;
- (c) negative pledge on the assets of certain subsidiaries of the Group in the PRC and Bangladesh; and
- (d) financial assets at fair value through profit or loss of the Group.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2020, the Group employed a total of (i) 19,355 employees in Bangladesh, as compared to 18,513 as at 30 June 2019, (ii) 390 employees in the PRC, as compared to 431 as at 30 June 2019, (iii) 58 employees in Hong Kong, as compared to 64 as at 30 June 2019, and (iv) a total of 26 employees in Japan, the United States, Thailand and Ukraine, as compared to a total of 29 in Japan and the United States as at 30 June 2019.

Total employee expenditures during the Period amounted to HK\$132.1 million (including value of employee services of HK\$0.6 million in respect of the share awards granted under the share award scheme adopted by the Company on 11 December 2017 (the “**Share Award Scheme**”)) as compared to HK\$153.0 million (including value of employee services of HK\$1.4 million in respect of the share awards granted under the Share Award Scheme) for the corresponding period in 2019. 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 2020.

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

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

- (a) On 13 July 2020, 1,910,667 ordinary shares of the Company (the “**Shares**”) out of the 2,160,667 Shares granted by the Company that remained outstanding under the Share Award Scheme vested in five 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.
- (b) On 7 August 2020, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent conditionally agreed to act as the agent to procure not less than six placees to purchase a maximum of 60,000,000 new Shares at the price of HK\$1.43 per Share. Details of the Share placement were disclosed in the announcements of the Company dated 7 August 2020, 21 August 2020 and 28 August 2020, respectively. The Share placement has not been completed as at the date of this report.

Management Discussion and Analysis

USE OF PROCEEDS

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

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

As at 30 June 2020, the Group had partially utilised such proceeds in the manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 29 June 2017:

Use of proceeds	Net proceeds <i>HK\$ million</i>	Utilised as at the date of this report <i>HK\$ million</i>	Utilised as at the date of this report %
Construction of additional production facilities in the Group’s Bangladesh production base	100.7	100.7	100.0%
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	22.1	100.0%
Repayment of outstanding trust receipt loans	40.9	40.9	100.0%
Working capital and general corporate purposes	20.5	20.5	100.0%
Total	204.7	184.2	90.0%

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

Management Discussion and Analysis

USE OF PROCEEDS FROM SHARE PLACEMENTS

On 20 September 2019, the Company entered into a placing agreement with Evergreen Enterprise Holdings Limited (“**EEHL**”), a controlling shareholder of the Company, and the placing agents and entered into a subscription agreement with EEHL, pursuant to which (i) EEHL agreed to appoint the placing agents and each of the placing agents severally (and not jointly nor joint and several basis) agreed to act as the agents to procure not less than six placees to purchase an aggregate of up to 40,000,000 Shares, on a best effort basis, at the placing price of HK\$1.55 per Share (the “**Placing**”); and (ii) EEHL agreed to subscribe for up to 40,000,000 Shares at the subscription price of HK\$1.55 per Share (the “**Subscription**”). A total of 33,180,000 Shares were successfully placed to not less than six independent placees under the Placing and an equal number of Shares were successfully issued under the Subscription. The net proceeds were approximately HK\$50.5 million and have been fully used to settle the outstanding liabilities of the Group. Details of the Placing and the Subscription were disclosed in the announcements of the Company dated 20 September 2019, 26 September 2019 and 3 October 2019, respectively.

In addition, pursuant to a subscription agreement dated 20 September 2019 entered into by the Company and EEHL, the Company allotted and issued 12,902,000 Shares at the subscription price of HK\$1.55 per Share to EEHL (the “**Connected Transaction Subscription**”). The net proceeds were approximately HK\$20.0 million and have been fully used to settle the outstanding liabilities of the Group. Details of the Connected Transaction Subscription were disclosed in the announcements of the Company dated 20 September 2019 and 15 November 2019, respectively, and the circular of the Company dated 29 October 2019.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the Period (30 June 2019: HK1.0 cent per Share).

The dividend payout ratio was 12.9% for the six months ended 30 June 2019.

Corporate Governance and Other Information

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company has adopted the principles as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Board is of the view that, the Company has complied with all the code provisions as set out in the CG Code throughout the Period, save and except for code provision 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.

Corporate Governance and Other Information

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

As at 30 June 2020, the interests or short positions of the Directors and chief executives' of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO"), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) LONG POSITION IN THE SHARES OF THE COMPANY

Name of Director/chief executive	Capacity/nature of interest	Number of Shares	Approximate percentage of issued share capital of the Company ⁽⁹⁾
Mr. Chang Yoe Chong Felix	(i) Beneficiary of a trust/ Founder of a discretionary trust	366,379,803 ⁽¹⁾	55.42%
	(ii) Beneficial owner	9,790,000 ⁽²⁾	1.48%
Mr. Chan Kwok Keung	Beneficial owner	1,000,000 ⁽³⁾	0.15%
Mr. Kwok Yau Lung Anthony	Beneficial owner	333,333 ⁽⁴⁾	0.05%
Mr. Hui Wing Ki	Beneficial owner	223,333 ⁽⁵⁾	0.03%
Ms. Jia Ziying	(i) Beneficial owner	394,000 ⁽⁶⁾	0.06%
	(ii) Interest of spouse	100,000 ⁽⁶⁾	0.02%
Mr. Li Yanbo	(i) Beneficial owner	100,000 ⁽⁷⁾	0.02%
	(ii) Interest of spouse	394,000 ⁽⁶⁾	0.06%

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.

Corporate Governance and Other Information

- (4) These Shares were granted by the Company to Mr. Kwok Yau Lung Anthony on 16 January 2018 pursuant to the Share Award Scheme.
- (5) These Shares were granted by the Company to Mr. Hui Wing Ki on 16 January 2018 pursuant to the Share Award Scheme.
- (6) These Shares were granted by the Company to Ms. Jia Ziyang on 16 January 2018 pursuant to the Share Award Scheme.
- (7) These Shares were granted by the Company to Mr. Li Yanbo on 16 January 2018 pursuant to the Share Award Scheme.
- (8) Ms. Jia Ziyang is the spouse of Mr. Li Yanbo. As such, Ms. Jia Ziyang and Mr. Li Yanbo are deemed to be interested in each other's interest.
- (9) Based on a total of 661,082,000 issued Shares as at 30 June 2020.

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

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

Corporate Governance and Other Information

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

Corporate Governance and Other Information

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 (the father of Mr. Chang Yoe Chong Felix, and a controlling shareholder as well as a substantial shareholder of the Company as at 30 June 2019) 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, Mr. Chang Yoe Chong Felix is deemed to be interested in the above associated corporations of the Company under the SFO.
- (4) Each of Loyal Helper Supply Limited and Evergreen Housekeepers Training Center Limited is 100% owned by Sunleaf Holdings Limited, which is 70% owned by Eastern Earnings (China) Company Limited. Eastern Earnings (China) Company Limited is 51% owned by FC Investment, which is 100% held by FC Management. Accordingly, Mr. Chang Yoe Chong Felix is deemed to be interested in the above associated corporations of the Company under the SFO.
- (5) Such shares are held by Prince Orchid Limited, which is 100% owned by Mr. Chang Yoe Chong Felix.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2020, none of the Directors or the chief executives of the Company had any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Corporate Governance and Other Information

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

So far as the Directors are aware, as at 30 June 2020, the following corporations/persons had interests of 5% or more in the issued Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under section 336 of the SFO:

LONG POSITION IN THE SHARES OF THE COMPANY

Name of shareholder	Capacity/nature of interest	Number of Shares	Approximately percentage of issued share capital of the Company ⁽⁴⁾
Evergreen Holdings ⁽¹⁾	Beneficial owner	366,379,803	55.42%
Golden Evergreen ⁽¹⁾	Interest of controlled corporation	366,379,803	55.42%
FC Investment ⁽¹⁾	Interest of controlled corporation	366,379,803	55.42%
FC Management ⁽¹⁾	Interest of controlled corporation	366,379,803	55.42%
CLC Investment ⁽¹⁾	Interest of controlled corporation	366,379,803	55.42%
CLC Management ⁽¹⁾	Interest of controlled corporation	366,379,803	55.42%
HSBC International Trustee Limited ⁽¹⁾	Trustee of a trust	366,379,803	55.42%
Mr. Chang Chih Lung ⁽¹⁾	Beneficiary of a trust/ Founder of a discretionary trust	366,379,803	55.42%
Ms. Wong Hor Yan ⁽²⁾	Interest of spouse	376,169,803	56.90%
SEAVI Advent Investments Ltd. ("SEAVI Advent") ⁽³⁾	Beneficial owner	106,748,197	16.15%
Codan Trust Company (Cayman) Limited ⁽³⁾	Interest in controlled corporation	106,748,197	16.15%

Corporate Governance and Other Information

Notes:

- (1) Evergreen Holdings is a direct wholly owned subsidiary of Golden Evergreen. 49% and 51% of issued share capital of Golden Evergreen are owned by FC Investment (a direct wholly owned subsidiary of FC Management) and CLC Investment (a direct wholly owned subsidiary of CLC Management), respectively. Each of FC Management and CLC Management is directly and wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. Mr. Chang Chih Lung is the settlor of the CLC Family Trust and one of the beneficiaries of the Felix Family Trust. Accordingly, each of Golden Evergreen, FC Investment, FC Management, CLC Investment, CLC Management, HSBC International Trustee Limited and Mr. Chang Chih Lung is deemed to be interested in the Shares held by Evergreen Holdings under the SFO.
- (2) Ms. Wong Hor Yan is the spouse of Mr. Chang Yoe Chong Felix, and is deemed to be interested in the Shares which are interested by Mr. Chang Yoe Chong Felix under the SFO.
- (3) SEAVI Advent is wholly owned by SEAVI Advent Equity V (A) Ltd 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 661,082,000 issued Shares as at 30 June 2020.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2020, the Directors have not been notified by any person who had interests or short position in Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

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

As at 30 June 2020, 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.

Corporate Governance and Other Information

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 2020, a total of 5,333,334 Shares, representing approximately 0.81% of the total issued Shares as at 30 June 2020, were granted by the Company to certain Directors, senior management and employees of the Company under the Share Award Scheme.

As at 30 June 2020, the trustee of the Share Award Scheme held a total of 2,266,000 Shares, of which 2,160,667 Shares remained unvested and 105,333 Shares remained ungranted or lapsed. The ungranted or lapsed Shares remain as trust fund and will be used for grant of share awards in future.

On 13 July 2020, the trustee of the Share Award Scheme transferred a total of 1,910,667 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				Outstanding as at 30 June 2020	Vesting schedule
		Outstanding as at 31 December 2019	Granted during the Period	Vested during the Period	Lapsed during the Period		
16 January 2018	Mr. Chan Kwok Keung	500,000	-	-	-	500,000 ⁽¹⁾	To vest on 13 July of each year from 2018 to 2021
	Mr. Kwok Yau Lung						
	Anthony	111,333	-	-	-	111,333 ⁽²⁾	
	Mr. Hui Wing Ki	111,333	-	-	-	111,333 ⁽²⁾	
	Ms. Jia Ziying	134,000	-	-	-	134,000 ⁽³⁾	
	Mr. Li Yanbo	50,000	-	-	-	50,000 ⁽⁴⁾	
	Other grantees	1,288,001	-	-	34,000	1,254,001 ⁽⁵⁾	
	Total	2,194,667	-	-	34,000	2,160,667	

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, 111,333 Shares had vested after the Period.
- (3) As at the date of this report, 134,000 Shares had vested after the Period.
- (4) As at the date of this report, 50,000 Shares had vested after the Period.
- (5) As at the date of this report, 1,254,001 Shares had vested after the Period.

Corporate Governance and Other Information

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

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

CHANGES IN INFORMATION OF DIRECTORS

Changes in information of the Directors since the publication of the annual report of the Company for the year ended 31 December 2019, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

1. The amount of the director's annual emolument of Mr. Chang Yoe Chong, the Chairman and Chief Executive Officer of the Group and an executive Director, has been increased from HK\$200,000 to HK\$3,600,000 with effect from 1 August 2020.
2. The appointment letters of all the current Directors were renewed with effect from 12 July 2020 for another three-year appointment term after expiry of the existing three-year appointment term commencing from 12 July 2017, the date on which the Shares were listed on the Stock Exchange.

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 2020

Report on Review of Condensed Consolidated Financial Statements

Deloitte.

德勤

TO THE BOARD OF DIRECTORS OF EVERGREEN PRODUCTS GROUP LIMITED

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Evergreen Products Group Limited (the “**Company**”) and its subsidiaries set out on pages 23 to 48, which comprise the condensed consolidated statement of financial position as of 30 June 2020 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 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	Note	Six months ended	
		30.6.2020 HK\$'000 (Unaudited)	30.6.2019 HK\$'000 (Unaudited)
Revenue	3	368,203	375,342
Cost of goods sold		(280,655)	(249,720)
Gross profit		87,548	125,622
Other income		2,151	1,245
Other gains and losses	4	(7,564)	2,565
Impairment losses under expected credit loss model	5	(1,656)	–
Distribution and selling expenses		(5,221)	(5,748)
Administrative expenses		(57,868)	(66,203)
Other expenses	6	(227)	(625)
Finance costs	7	(10,063)	(9,290)
Profit before tax		7,100	47,566
Income tax (expense) credit	8	(555)	381
Profit for the period	9	6,545	47,947
Other comprehensive (expense) income for the period:			
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of land and buildings		–	10,229
Deferred tax arising from revaluation of land and buildings		–	(877)
		–	9,352
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		(4,507)	(1,502)
Other comprehensive (expense) income for the period, net of income tax		(4,507)	7,850
Total comprehensive income for the period		2,038	55,797

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2020

	<i>Note</i>	Six months ended	
		30.6.2020	30.6.2019
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		7,902	49,301
Non-controlling interests		(1,357)	(1,354)
		6,545	47,947
Total comprehensive income (expense) attributable to:			
Owners of the Company		3,414	57,195
Non-controlling interests		(1,376)	(1,398)
		2,038	55,797
Earnings per share (HK\$)	<i>11</i>		
– basic		0.01	0.08
– diluted		0.01	0.08

Condensed Consolidated Statement of Financial Position

At 30 June 2020

	<i>Notes</i>	30.6.2020 <i>HK\$'000</i> (Unaudited)	31.12.2019 <i>HK\$'000</i> (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	713,319	721,680
Right-of-use assets	12	27,321	29,041
Non-current deposits	14	16,859	19,570
Financial assets at fair value through profit or loss		15,860	25,761
		773,359	796,052
CURRENT ASSETS			
Inventories	13	456,045	476,613
Trade and other receivables	14	301,706	319,159
Tax recoverable		1,069	950
Pledged bank deposits	15	113,732	93,097
Bank balances and cash		44,164	36,109
		916,716	925,928
CURRENT LIABILITIES			
Trade and other payables	16	59,652	60,643
Tax payable		3,438	3,172
Secured bank borrowings	17	698,786	672,444
Amount due to a related company		4,050	50,000
Amount due to a non-controlling shareholder of a subsidiary		2,986	2,700
Dividend payables		13,222	–
Derivative liabilities		445	345
Lease liabilities		2,030	3,024
Contract liabilities		8,999	3,391
Bank overdrafts	17	27,312	41,500
		820,920	837,219
NET CURRENT ASSETS		95,796	88,709
		869,155	884,761

Condensed Consolidated Statement of Financial Position

At 30 June 2020

	<i>Note</i>	30.6.2020 <i>HK\$'000</i> (Unaudited)	31.12.2019 <i>HK\$'000</i> (Audited)
CAPITAL AND RESERVES			
Share capital	<i>18</i>	51,432	51,432
Reserves		802,593	811,827
<hr/>			
Equity attributable to owners of the Company		854,025	863,259
Non-controlling interests		1,261	2,637
<hr/>			
TOTAL EQUITY		855,286	865,896
<hr/>			
NON-CURRENT LIABILITIES			
Deferred tax liabilities		5,471	5,370
Lease Liabilities		8,398	8,594
Secured bank borrowings	<i>17</i>	–	4,901
<hr/>			
		13,869	18,865
<hr/>			
		869,155	884,761
<hr/>			

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company											
	Share capital <i>HKS'000</i>	Share premium <i>HKS'000</i>	Capital reserve <i>HKS'000</i>	Property revaluation reserve <i>HKS'000</i>	Share award reserve <i>HKS'000</i>	Share held for share award scheme <i>HKS'000</i> <i>(Note 19)</i>	Other reserve <i>HKS'000</i>	Translation reserve <i>HKS'000</i>	Retained profits <i>HKS'000</i>	Sub-total <i>HKS'000</i>	Non-controlling interests <i>HKS'000</i>	Total <i>HKS'000</i>
At 31 December 2019 (audited) and 1 January 2020	51,432	434,042	(53,992)	103,260	1,843	(3,397)	(76)	(23,497)	353,644	863,259	2,637	865,896
Profit (loss) for the period	-	-	-	-	-	-	-	-	7,902	7,902	(1,357)	6,545
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	(4,488)	-	(4,488)	(19)	(4,507)
Total comprehensive income (expense) for the period	-	-	-	-	-	-	-	(4,488)	7,902	3,414	(1,376)	2,038
Employee share award scheme:												
- Value of employee services	-	-	-	-	574	-	-	-	-	574	-	574
Dividend declared as distribution (note 10)	-	-	-	-	-	-	-	-	(13,222)	(13,222)	-	(13,222)
At 30 June 2020 (unaudited)	51,432	434,042	(53,992)	103,260	2,417	(3,397)	(76)	(27,985)	348,324	854,025	1,261	855,286
At 1 January 2019 (audited)	47,847	366,950	(53,992)	91,657	919	(6,000)	(76)	(20,551)	285,173	711,927	(1,059)	710,868
Profit (loss) for the period	-	-	-	-	-	-	-	-	49,301	49,301	(1,354)	47,947
Surplus on revaluation of land and buildings	-	-	-	10,229	-	-	-	-	-	10,229	-	10,229
Deferred tax arising from revaluation of land and buildings	-	-	-	(877)	-	-	-	-	-	(877)	-	(877)
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	(1,458)	-	(1,458)	(44)	(1,502)
Total comprehensive income (expense) for the period	-	-	-	9,352	-	-	-	(1,458)	49,301	57,195	(1,398)	55,797
Employee share award scheme:												
- Value of employee services	-	-	-	-	1,364	-	-	-	-	1,364	-	1,364
Dividend recognised as distribution (note 10)	-	-	-	-	-	-	-	-	(15,375)	(15,375)	-	(15,375)
At 30 June 2019 (unaudited)	47,847	366,950	(53,992)	101,009	2,283	(6,000)	(76)	(22,009)	319,099	755,111	(2,457)	752,654

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended	
	30.6.2020	30.6.2019
	HK\$' 000	HK\$' 000
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	52,369	73,567
Decrease (Increase) in inventories	15,008	(3,097)
Decrease (Increase) in trade and other receivables	16,496	(63,456)
Other operating activities	6,076	(26,414)
Net cash from (used in) operating activities	89,949	(19,400)
Investing activities		
Purchase of property, plant and equipment	(12,922)	(47,441)
Placement of pledged bank deposits	(20,635)	(3,127)
Deposit paid for acquisition of property, plant and equipment	(681)	(17,678)
Interest received	180	173
Proceeds from disposal of property, plant and equipment	–	500
Proceeds from disposal of right-of-use assets	–	223
Receipts from withdrawal of insurance contract	8,767	–
Net cash used in investing activities	(25,291)	(67,350)
Net cash from financing activities		
New mortgage and short term loans raised	204,800	154,900
New trust receipt loan and discounted bills raised	62,196	49,089
Advance from a related company	–	20,000
Repayment to a related company	(45,950)	–
Advance from a non-controlling shareholder of a subsidiary	286	751
Repayment of bank overdrafts	(14,188)	–
Repayments of mortgage and short term loans	(245,555)	(111,396)
Interest paid	(16,521)	(16,662)
Dividend paid	–	(15,375)
Repayments of lease liabilities	(1,511)	(1,717)
Net cash (used in) from financing activities	(56,443)	79,590
Net increase (decrease) in cash and cash equivalents	8,215	(7,160)
Cash and cash equivalents at beginning of the period	36,109	68,873
Effect of foreign exchange rate changes	(160)	(1,094)
Cash and cash equivalents at end of the period, represented by bank balances and cash	44,164	60,619

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements are 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 a majority of the Company’s shareholders are located in Hong Kong.

1A. SIGNIFICANT EVENTS AND TRANSACTIONS IN THE CURRENT INTERIM PERIOD

The outbreak of the novel coronavirus pneumonia (“**COVID-19**”) and the subsequent quarantine measures as well as the travel restrictions imposed by many countries in early 2020 had certain impact on the operations of the Group, as the Group’s operations are located in the People’s Republic of China (the “**PRC**”) and Bangladesh. The Group had to stop its manufacturing activities temporarily due to mandatory government quarantine measures in an effort to contain the spread of the epidemic and operation was resumed shortly. Net profit for the period is significantly impacted from the outbreak of the COVID-19 disease, which is primarily attributable to special discounts on sales of products offered to customers; and a shift of product mix from less sales of human hair extension products with high margin to more sales of braid products with low margin when compared to the corresponding period in 2019 as a result of the adverse market conditions during the current period.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2019.

APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

2. PRINCIPAL ACCOUNTING POLICIES (continued)

APPLICATION OF AMENDMENTS TO HKFRSs (continued)

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

IMPACTS OF APPLICATION ON AMENDMENTS TO HKAS 1 AND HKAS 8 "DEFINITION OF MATERIAL"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

ACCOUNTING POLICIES NEWLY APPLIED BY THE GROUP

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognised as expenses the related costs for which the grants are intended to compensate.

Government grants relate to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "Other income".

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION

The chief executive officer of the Company, being the chief operating decision maker (“**CODM**”), regularly reviews revenue analysis by types of products, including wigs, hair accessories and others, 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’s CODM does not regularly review such information.

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

Group revenue by products

	Six months ended	
	30.6.2020 HK\$'000 (Unaudited)	30.6.2019 HK\$'000 (Unaudited)
Wigs, hair accessories and others	295,161	260,609
High-end human hair extensions	51,266	86,422
Halloween products	21,776	28,311
	368,203	375,342

Group revenue by location of delivery to customers

	Six months ended	
	30.6.2020 HK\$'000 (Unaudited)	30.6.2019 HK\$'000 (Unaudited)
United States of America	315,982	308,909
The PRC	13,238	6,625
United Kingdom	4,899	12,324
Others	34,084	47,484
	368,203	375,342

All revenue is recognised at a point of time.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3. REVENUE AND SEGMENT INFORMATION (continued)

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

Group revenue by location of delivery to customers (continued)

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

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

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

4. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2020 HK\$'000 (Unaudited)	30.6.2019 HK\$'000 (Unaudited)
Change in fair value of derivative liabilities	(100)	(12)
Change in fair value of the financial assets at fair value through profit or loss ("FVTPL")	(1,134)	2,783
Loss on disposal of property, plant and equipment	(225)	–
Loss on disposal of right-of-use assets	–	(10)
Written off of property, plant and equipment <i>(Note)</i>	(626)	–
Written off of inventories <i>(Note)</i>	(5,560)	–
Net foreign exchange gains (losses)	81	(196)
	(7,564)	2,565

Note: In June 2020, certain of the Group's machineries and inventories located in the Group's Bangladesh factory were damaged by fire. The event had no material impact to the Group's operation and production.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

5. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO EXPECTED CREDIT LOSS (“ECL”) MODEL

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
Impairment loss recognised in respect of trade receivables	1,656	–

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2019.

During the current interim period, the Group provided impairment allowance of HK\$1,656,000 in respect of trade receivables (six months ended 30 June 2019: nil).

6. OTHER EXPENSES

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Donation expense	227	625

7. FINANCE COSTS

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	16,115	16,261
Less: amount capitalised in the cost of qualifying assets	(6,458)	(7,372)
	9,657	8,889
Interest on lease liabilities	406	401
	10,063	9,290

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

8. INCOME TAX EXPENSE (CREDIT)

	Six months ended	
	30.6.2020 <i>HK\$'000</i> (Unaudited)	30.6.2019 <i>HK\$'000</i> (Unaudited)
The taxation charge (credit) comprises:		
Current tax:		
Hong Kong	20	–
Bangladesh	299	–
The PRC Enterprise Income Tax (“EIT”)	71	176
Other jurisdictions	64	183
	454	359
Overprovision in prior years:		
Hong Kong	–	(30)
	454	329
Deferred tax:		
Current period	101	(710)
	555	(381)

During the six months ended 30 June 2020 and 2019, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits of the qualifying group entity and 16.5% on the estimated assessable profits above HK\$2 million. The profits of group entities not qualifying for the two-tiered profits tax rates regime are taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

8. INCOME TAX EXPENSE (CREDIT) (continued)

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

The subsidiaries operating in Bangladesh are subject to income tax rate of 35% on the assessable profit during the current period (2019: the subsidiaries operating in Bangladesh had no assessable profit or exempt from income tax). One of the subsidiaries in Bangladesh is exempted from income tax for 10 financial years from the date of the commencement of commercial operations (i.e. 10 May 2010) up to April 2020.

For subsidiaries operating in Japan, the applicable prevailing tax rate was 27% for both periods.

Taxation arising from other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

9. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2020	30.6.2019
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	22,399	17,865
Depreciation of right-of-use assets	2,112	429
Total depreciation and amortisation	24,511	18,294
Interest income	(180)	(186)
Government grants (included in other income)	(876)	–
Cost of inventories recognised as expense (included in cost of goods sold)	280,655	249,720
Short-term lease payments	38	183

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

10. DIVIDENDS

During the current interim period, a final dividend of HK2.00 cents per share in respect of the year ended 31 December 2019 (2019: HK2.50 cents per share in respect of the year ended 31 December 2018) was declared to the owners of the Company. The aggregate amount of the final dividend declared in the interim period amounted to approximately HK\$13,222,000 (2019: declared and paid HK\$15,375,000).

No dividends were paid, declared or proposed for the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period (2019: declared and paid HK1.00 cent per share amounting to HK\$6,150,000 in aggregate).

11. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2020 <i>HK\$'000</i> (Unaudited)	30.6.2019 <i>HK\$'000</i> (Unaudited)
Earnings attributable to owners of the Company:		
Earnings for the purpose of calculating basic and diluted earnings per share	7,902	49,301
	Six months ended	
	30.6.2020 <i>HK\$'000</i> (Unaudited)	30.6.2019 <i>HK\$'000</i> (Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	658,816	610,999
Effect of dilutive potential ordinary shares:		
Share awards scheme	2,078	2,621
Weighted average number of ordinary shares for the purpose of diluted earnings per share	660,894	613,620

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

12. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the period ended 30 June 2020, the Group spent HK\$12,922,000 (for the six months ended 30 June 2019: HK\$47,441,000 (unaudited)) on property, plant and equipment.

The Group's leasehold land and buildings classified as property, plant and equipment were revalued by the third party qualified valuer engaged by the Company as the period ended 30 June 2019. The resulting revaluation surplus of HK\$10,229,000 has been credited to the properties revaluation reserve for the period ended 30 June 2019.

The directors are of the view that there is no material difference between the carrying amount and fair value of the Group's leasehold land and buildings classified as property, plant and equipment as at the six months ended 30 June 2020.

During the period ended 30 June 2020, the Group entered into a new lease agreement for the use of motor vehicle (for the six months ended 30 June 2019: leasehold land and buildings) with lease term for 4.5 years (for the six months ended 30 June 2019: 2 to 30 years). The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets of HK\$322,000 (for the six months ended 30 June 2019: HK\$5,606,000) and lease liabilities of HK\$322,000 (for the six months ended 30 June 2019: HK\$5,514,000).

13. INVENTORIES

	30.6.2020	31.12.2019
	<i>HK\$' 000</i>	<i>HK\$' 000</i>
	(Unaudited)	(Audited)
Raw materials	350,725	366,957
Work in progress	36,372	51,756
Finished goods	68,948	57,900
	456,045	476,613

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

14. TRADE AND OTHER RECEIVABLES

	30.6.2020 <i>HK\$'000</i> (Unaudited)	31.12.2019 <i>HK\$'000</i> (Audited)
Trade receivables		
– contracts with customers	159,388	183,607
Less: allowance for credit loss	(1,656)	–
	157,732	183,607
Other receivables	40,838	26,111
Purchase rebate receivables	22,560	19,786
Other tax receivables	1,199	1,293
Prepayments	8,171	10,754
Deposits paid to suppliers	71,206	77,608
Deposits for acquisition of property, plant and equipment	15,953	18,664
Property rental deposits	906	906
	318,565	338,729
Analysis for reporting purpose as		
Non-current assets	16,859	19,570
Current assets	301,706	319,159
	318,565	338,729

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

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

	30.6.2020 <i>HK\$'000</i> (Unaudited)	31.12.2019 <i>HK\$'000</i> (Audited)
0 – 60 days	111,009	137,770
61 – 90 days	13,643	34,233
91 – 120 days	19,710	5,234
Over 120 days	13,370	6,370
	157,732	183,607

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

15. PLEDGED BANK DEPOSITS

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

The deposits carry fixed interest rate ranging from 0.001% to 1.95% (31 December 2019: 0.001% to 1.97%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

16. TRADE AND OTHER PAYABLES

	30.6.2020 <i>HK\$'000</i> (Unaudited)	31.12.2019 <i>HK\$'000</i> (Audited)
Trade payables	33,452	36,568
Accrued staff costs	23,134	19,721
Accruals and other payables	3,066	4,354
	59,652	60,643

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

	30.6.2020 <i>HK\$'000</i> (Unaudited)	31.12.2019 <i>HK\$'000</i> (Audited)
0 – 60 days	31,286	36,568
61 – 90 days	926	–
91 – 120 days	3	–
Over 120 days	1,237	–
	33,452	36,568

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

17. SECURED BANK BORROWINGS/BANK OVERDRAFTS

	30.6.2020 <i>HK\$'000</i> (Unaudited)	31.12.2019 <i>HK\$'000</i> (Audited)
Bank overdrafts	27,312	41,500
Trust receipts loans and discounted bills	359,196	297,000
Mortgage and short term loan	339,590	380,345
	726,098	718,845

The carrying amounts of the borrowings are analysed as follows:

Original currency	30.6.2020 <i>HK\$'000</i> (Unaudited)	31.12.2019 <i>HK\$'000</i> (Audited)	Interest rate
HK\$	385,652	409,029	Hong Kong Dollar Prime Rate minus 1.85% to Hong Kong Dollar Prime Rate plus 1% or Hong Kong Interbank Offered Rate (“ HIBOR ”) plus 1.2% to HIBOR plus 3.5% (31 December 2019: Hong Kong Dollar Prime Rate minus 1.85% to Hong Kong Dollar Prime Rate plus 5% or HIBOR plus 1.2% to HIBOR plus 3.5% or fixed interest rate at 5.65%)
US\$	340,446	309,816	London Interbank Offered Rate (“ LIBOR ”) plus 2.5% to LIBOR plus 4% (31 December 2019: LIBOR plus 2.5% to LIBOR plus 4%)

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

17. SECURED BANK BORROWINGS/BANK OVERDRAFTS (continued)

The Group's bank borrowings are payable as follows:

	30.6.2020 HK\$'000 (Unaudited)	31.12.2019 HK\$'000 (Audited)
Bank overdrafts	27,312	41,500
Bank borrowings are repayable (Note)		
Within 1 year	640,226	617,084
After 1 year but within 2 years	25,079	26,232
After 2 years but within 5 years	26,451	22,123
After 5 years	7,030	11,906
Total bank borrowings	698,786	677,345
Total	726,098	718,845
Bank borrowings comprising:		
Amounts due within one year shown under current liabilities or containing a repayment on demand clause	640,226	617,084
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)	58,560	55,360
	698,786	672,444
Amounts due within one year shown under current liabilities comprising:		
Bank overdrafts	27,312	41,500
Secured bank borrowings	698,786	672,444
	726,098	713,944
Amounts shown under non-current liabilities comprising:		
Secured bank borrowings	-	4,901
Total	726,098	718,845

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

17. SECURED BANK BORROWINGS/BANK OVERDRAFTS (continued)

Bank overdrafts carry interest at market rates which range from 5.50% to 5.75% and are repayable on demand (31 December 2019: 4.50% to 5.50%) per annum.

The bank borrowings arranged at floating rates are with average effective interest rates ranging from 1.75% to 6.20% (31 December 2019: 3.60% to 6.21%) per annum.

As at 30 June 2020 and 31 December 2019, the Group's banking facilities were secured by:

- (a) pledge of the Group's bank deposits of approximately HK\$113,732,080 (2019: HK\$93,097,000);
- (b) the Group's land and buildings and carpark in Hong Kong of approximately HK\$88,180,000 (2019: HK\$88,180,000);
- (c) negative pledge on the assets of certain subsidiaries in the PRC and Bangladesh; and
- (d) financial assets at FVTPL of the Group.

18. SHARE CAPITAL OF THE COMPANY

	Notes	Number of shares	Share capital US\$'000
Ordinary shares of US\$0.01 each			
Authorised:			
At 1 January 2019, 31 December 2019, 1 January 2020 and 30 June 2020		1,000,000,000	10,000
Issued and fully paid:			
At 1 January 2019		615,000,000	6,150
Issue of new ordinary shares by way of placing	(a)	33,180,000	332
Issue of new ordinary shares under specific mandate	(b)	12,902,000	129
At 31 December 2019, 1 January 2020 and 30 June 2020		661,082,000	6,611

Shown in the condensed consolidated financial statement as:

	Amount HK\$'000
At 31 December 2019 and 30 June 2020	51,432

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

18. SHARE CAPITAL OF THE COMPANY (continued)

Notes:

- (a) *On 26 September 2019, the Company completed the placement of existing ordinary shares to independent investors of 33,180,000 ordinary shares of US\$0.01 each of the Company at a price of HK\$1.55 per ordinary share representing a discount of approximately 14.36% to the closing market price of the Company's ordinary shares on 20 September 2019.*

Pursuant to a top-up subscription agreement dated 20 September 2019, the immediate holding company subscribed for 33,180,000 new ordinary shares of US\$0.01 in the Company at a price of HK\$1.55 per ordinary share on 3 October 2019. The proceeds were used to reduce borrowings for the Company. These new shares were issued under the general mandate granted to the directors at the annual general meeting of the Company held on 17 May 2019 and rank pari passu with other shares in issue in all respects.

- (b) *In order to reduce borrowings for the Company, the Company issued 12,902,000 new ordinary shares of US\$0.01 each, for consideration of HK\$1.55 per share to the immediate holding company under a specific mandate. The new ordinary shares were issued on 15 November 2019 to the immediate holding company after approval by the independent shareholders at the extraordinary general meeting of the Company held on 13 November 2019. The new shares rank pari passu with the existing shares in all respects.*

19. SHARE BASED PAYMENT TRANSACTIONS

SHARE OPTION SCHEME

The Group adopted a share option scheme on 19 June 2017 (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to provide any directors and full-time employees of any members of the Group who have contributed or will contribute to the Group (the “**Participants**”) with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company with a flexible means of either retaining, 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 of Hong Kong Limited's daily quotations sheet on the date on which an offer is made by the Company to the grantee (which must be a business day, the “**Offer Date**”); (b) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange of Hong Kong Limited's daily quotations sheets for the 5 business days immediately preceding the Offer Date; and (c) the nominal value of a share of the Company.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

19. SHARE BASED PAYMENT TRANSACTIONS (continued)

SHARE OPTION SCHEME (continued)

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

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

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

SHARE AWARD SCHEME

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

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

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

As at the six months ended 30 June 2020, the award shares have been vested to the Selected Participants in the first two tranches with 1,329,000 ordinary shares of the Company vested in July 2018 and 1,735,000 ordinary shares of the Company vested in July 2019. The award shares will be vested to Selected Participants in next two tranches with 1,910,667 ordinary shares of the Company to be vested in July 2020 and 250,000 ordinary shares of the Company to be vested in July 2021.

The fair value of the shares awards determined based on share price at grant date amounting to HK\$574,000 is recognised as staff cost in the profit or loss for the six months ended 30 June 2020 (30 June 2019: HK\$1,364,000). As at 30 June 2020, 2,266,000 (31 December 2019: 2,266,000) ordinary shares of the Company were held by the trustee of the Share Award Scheme, of which 2,160,667 (31 December 2019: 2,194,667) shares remained unvested and 105,332 (31 December 2019: 71,333) shares remained ungranted or lapsed. The ungranted and lapsed shares remain as trust fund and will be used for grant of share awards in future.

The closing price of the shares of the Company immediately before the grant of awarded shares was HK\$1.5 per share.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

19. SHARE BASED PAYMENT TRANSACTIONS (continued)

SHARE AWARD SCHEME (continued)

The following table discloses movements of the shares award during the year/period are as follows:

Outstanding Awarded Shares as at 1 January 2019	Number of Awarded Shares Vested during the year	Number of Awarded Shares lapsed during the year	Outstanding Awarded Shares as at 31 December 2019
3,996,334	(1,735,000)	(66,667)	2,194,667

Outstanding Awarded Shares as at 1 January 2020	Number of Awarded Shares Vested during the period	Number of Awarded Shares lapsed during the period	Outstanding Awarded Shares as at 30 June 2020
2,194,667	–	(34,000)	2,160,667

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

Financial asset and liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30.6.2020 HK\$' 000 (Unaudited)	31.12.2019 HK\$' 000 (Audited)		
Derivative liability – interest rate swap	Liabilities – 445	Liabilities – 345	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.
Financial assets at FVTPL	Assets – 15,860	Assets – 25,761	Level 2	Values quoted by insurance companies.

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

21. CAPITAL COMMITMENT

	30.6.2020 <i>HK\$'000</i> (Unaudited)	31.12.2019 <i>HK\$'000</i> (Audited)
Contracted but not provided in the condensed consolidated financial statements of financial position in respect of acquisition of property, plant and equipment	434	117

22. RELATED PARTY TRANSACTIONS

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

(a)

	<i>Note</i>	Six months ended	
		30.6.2020 <i>HK\$'000</i> (Unaudited)	30.6.2019 <i>HK\$'000</i> (Unaudited)
Computer product and service expenses	(i)	540	856

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

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

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

	Six months ended	
	30.6.2020 <i>HK\$'000</i> (Unaudited)	30.6.2019 <i>HK\$'000</i> (Unaudited)
Short-term benefits	1,960	1,945
Post-employment benefits	41	41
	2,001	1,986

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

On 7 August 2020, the Company entered into a placing agreement with a placing agent pursuant to which the placing agent has conditionally agreed to procure not less than six placees to purchase a maximum number of 60,000,000 new shares at the price of HK\$1.43 per share. Details of the transaction were disclosed in the Company's announcements dated 7 August 2020, 21 August 2020 and 28 August 2020, respectively. These transactions have not been completed as at the date of approval of these financial statements.

24. APPROVAL OF INTERIM FINANCIAL INFORMATION

The interim financial information was approved by the Board of Directors on 28 August 2020.