Evergreen Products Group Limited
訓修實業集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1962

2023
Annual Report

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Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

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

NON-EXECUTIVE DIRECTOR

Mr. Chan Lau Yui Kevin

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

COMPANY SECRETARY

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

AUTHORIZED REPRESENTATIVES

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Corporate Information

PRINCIPAL BANKS

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

HONG KONG LEGAL ADVISER

Woo Kwan Lee & Lo

REGISTERED OFFICE

P.O. Box 472, 2nd Floor
Harbour Place, 103 South Church Street
George Town, Grand Cayman KY1-1106
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN HONG KONG

11th Floor, Chiap Luen Industrial Building
30–32 Kung Yip Street
Kwai Chung, New Territories
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

International Corporation Services Ltd.
P.O. Box 472, 2nd Floor
Harbour Place, 103 South Church Street
George Town, Grand Cayman KY1-1106
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited (stock code: 1962)

COMPANY WEBSITE

www.epfhk.com

Chairman's Statement

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Evergreen Products Group Limited ("**Evergreen**" or the "**Company**") and its subsidiaries (collectively, the "**Group**"), I am pleased to present the annual report of the Group for the year ended 31 December 2023 (the "**Year**").

OUR PURPOSE, VALUES AND STRATEGIES

Established in more than half a century ago, Evergreen has always emphasised the importance of integrity in conducting its business, which has contributed to the building of trust and mutual respect among its management, employees, customers and suppliers and has led to the success of Evergreen.

Evergreen wants to be the best manufacturer and create hair products of the highest quality to bring the goodness of beauty, fun and joy to all people. Evergreen focuses on actively responding to the demands of its customers by developing hair products which cater to its customers' needs, and continuously investing in research and development for innovative hair products to adapt to the rapidly evolving hair product market. The adoption of flexible working arrangements by Evergreen allows its employees to save commute time to improve their qualities of life and bring new employment opportunities to residential communities.

Evergreen's purpose, values and strategies are set out below:

(1) the Company's purpose is to bring the goodness of beauty, fun and joy to its customers in the global hair product market;

(2) the Company's values are to ensure that the Company adheres to the principles of achieving integrity, excellence, flexibility and innovation, and to strive to deliver the best and the highest quality hair products which are trusted by its customers; and

(3) the Company's strategies are (i) to integrate the production lines of its Bangladesh factories to achieve a balanced and diverse product mix of hair products to satisfy its customers' requirements in scalability, flexibility, adaptability and quality; (ii) to lease additional workshops or production sites to offer its employees to choose their preferred work locations as part of the flexible working arrangements; and (iii) to sustain continuous market growth and product innovation to strengthen the research and development team in the People's Republic of China and Bangladesh.

Evergreen's purpose, values and strategies are aligned with its culture.

Chairman's Statement

BUSINESS REVIEW

The global outlook has deteriorated markedly throughout 2023 amid the persistently high inflation and high interest rate environment which have weakened the consumer purchasing power, with the market demand for wigs products has also been indirectly affected.

During the Year, the Group delivered revenue of hair products and recorded a decline of 11.0% as compared to the year ended 31 December 2022. The Group's focus on higher margin products has slowed down the segmental revenue of human hair extension products and lace wig products during the Year, underpinned by a weak market demand following the slowdown in the economic growth and the drop in the segmental revenue of Halloween products, underpinned by the weakness on the consumer purchasing power and the de-stocking pressure by customers. The traditional wigs products rose due to the customer's shift to the lower profit margin during the economic slowdown. The Group's gross profit margin continuously improved during the Year, supported by the devaluation of the Taka against the Dollar and the improvement on the marginal cost of those products and the net profit recorded a decrease of 17.3% affected by a slowdown in sale of the segmental revenue of human hair extension products and lace wig products during the Year which are mainly in non-cash nature as compared to the year ended 31 December 2022.

The Group has continued to implement the policies on inventory control and credit control management, to enhance the strategy of the product mix diversity in order to optimise the financial position. The Group's gearing ratio rose to 72.8% when compared to 61.9% for the year ended 31 December 2022.

FINANCIAL OVERVIEW

During the Year, the Group's turnover amounted to HK$979.2 million (2022: HK$1,100.4 million), representing a decrease of 11.0% from the year ended 31 December 2022. The Group recorded a profit of HK$48.2 million for the Year, representing a decrease of HK$10.1 million, or 17.3%, as compared with the profit of HK$58.3 million for the year ended 31 December 2022.

OUTLOOK

Amidst the persistently high inflation and high interest rate environment and economic slowdown, the Group has been closely monitoring the market conditions and adjusting its business strategies and operations to minimize any negative impacts and strengthen its focus on its core business.

In the upcoming year, the Group will continue to enhance the financial performance improvement initiatives across its operations including the inventory control, cost optimization, refining the bank borrowing costs and increase to build up more online stores on some famous cross-border e-commerce platforms and increase resources in research and development of new products to expand sales channels and customer bases.

Chairman's Statement

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK2.9 cents per Share for the Year, approximately HK$19.0 million in total based on a total of 655,652,000 Shares in issue as at the date of this annual report, plus the interim dividend of HK4.2 cents per Share already declared and paid, making a total dividend of HK7.1 cents per Share (2022: final dividend of HK3.7 cents per Share and interim dividend of HK1.7 cents per Share). The dividend payout ratio for the Year was approximately 99.2% (2022: 63.5%). Subject to approval by shareholders at the 2024 Annual General Meeting, the proposed final dividend will be paid on or before 31 May 2024.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to the Directors for their continuing efforts and to thank all members of our staff and management team for their dedication and continuous support. The Group is dedicated to seeking opportunities for positive change and pursuing breakthroughs in 2024. I look forward to sharing the Group's prosperity with them and all of our shareholders and customers in the future.

Chang Yoe Chong Felix
Chairman

Hong Kong, 22 March 2024

Management Discussion and Analysis

BUSINESS REVIEW

During the Year, the global economic growth has slowed down amid the persistently high inflation and high interest rate environment, with the market demand for wigs products being sluggish. The segmental revenue of human hair extension products and lace products with a higher profit margin have slowed down and shifted to the braid products with a lower profit margin and the demand for Halloween products has dropped during the Year, underpinned by the weak consumer purchasing power and the de-stocking pressure by customers. In the current complex and changeable environment, the Group has continuously optimised the production process and dispatched research and development technicians to increase the cooperative relationship with the key customers and accurately adjusted the products mix and production capacities, ensuring the process of group production and operation to be effective and efficient.

Although the wigs market has huge potential and good prospects, it is susceptibly influenced by the global macroeconomic and the unpredictable market conditions. The revenue of the Group decreased to HK$979.2 million during the Year, representing a decrease of approximately 11.0% as compared with the corresponding year ended 31 December 2022, mainly due to the increase in the sale of human hair extension products and lace wig products offset with a drop in sales in the lower profit margin braid products during the Year. Gross profit margin increased to 23.8% as compared to 23.4% for the year ended 31 December 2022, mainly due to a decrease in the direct labour cost by streamlining the production process and a decrease in the raw materials cost and the continuous benefit from the devaluation of the Bangladeshi Taka against the United States dollar.

As a result of the above, the Group reported profits in the amount of HK$48.2 million, representing a decrease of 17.3% as compared with the corresponding year ended 31 December 2022 and the gross profit margin of 23.8%, representing a slight increase of 0.4% as compared with the corresponding year ended 31 December 2022.

FINANCIAL REVIEW

During the Year, the Group's financial results dropped as compared with the corresponding year ended 2022, primarily due to the weakness of the consumer purchasing power and the de-stocking pressure by customers which caused the customers to switch from the high margin human hair extension products to the low margin braid products and a drop in sale of Halloween products.

Management Discussion and Analysis

REVENUE

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

During the Year, the Group's revenue amounted to HK$979.2 million, representing a decrease of HK$121.1 million or 11.0% as compared with HK$1,100.4 million for the year ended 31 December 2022. The decrease was primarily due to a slowdown in the market demand for its human hair products and lace products offset with the increase in demand for braid products during the Year. The Bangladesh factory has consistent enhancement in its production capabilities to satisfy the strong market demand. During the Year, the revenue generated from hair products made at the Bangladesh Factory accounted for 98.7% of the Group's total revenue as compared to 97.9% for the year ended 31 December 2022.

The USA remained as the Group's principal market during the Year with revenue contribution accounting for 90.1% of the Group's total revenue during the Year as compared to 87.6% for the year ended 31 December 2022. In terms of product segments, wigs, hair accessories and others, which remained as the Group's key product segment, accounted for 88.1% of its total revenue during the Year as compared to 79.3% for the year ended 31 December 2022.

Wigs, hair accessories and others. Revenue from wigs, hair accessories and others decreased by HK$10.1 million, or 1.2%, from HK$872.4 million for the year ended 31 December 2022 to HK$862.3 million for the Year, primarily due to a decrease in sales of lace wigs and weaving items while an increase in sales of braid and special braid which offset the drop in the sales of lace wigs and weaving items during the Year.

High-end human hair extensions. Revenue from high-end human hair extensions decreased by HK$104.1 million, or 56.4%, from HK$184.5 million for the year ended 31 December 2022 to HK$80.4 million for the Year, primarily due to a decrease in sales volume of human hair products for which the market demand shifted to braid products with low margin due to the weakness of the consumer purchasing power.

Halloween products. Revenue from Halloween products decreased by HK$6.9 million, or 15.9%, from HK$43.5 million for the year ended 31 December 2022 to HK$36.6 million for the Year, primarily due to a decease in sales volume due to more conservative customers' orders due to the weakness of the consumer purchasing power and the de-stocking pressure by customer.

COST OF GOODS SOLD

The Group's cost of goods sold decreased by HK$97.3 million, or 11.5%, from HK$843.3 million for the year ended 31 December 2022 to HK$746.0 million for the Year, primarily due to a decrease in direct labour cost by streamlining the production process and a decrease in raw materials cost and the continuous benefit from the devaluation of the Bangladeshi Taka against the United States dollar during the Year.

Wigs, hair accessories and others. Cost of goods sold for wigs, hair accessories and others decreased by HK$15.2 million, or 2.2%, from HK$682.3 million for the year ended 31 December 2022 to HK$667.1 million for the Year, corresponding with a decrease in sales of these products during the Year.

High-end human hair extensions. Cost of goods sold for high-end human hair extensions decreased by HK$76.8 million, or 58.3%, from HK$131.7 million for the year ended 31 December 2022 to HK$54.9 million for the Year, which is in line with a decrease in sales of these products during the Year.

Halloween products. Cost of goods sold for Halloween products decreased by HK$5.3 million, or 18.0%, from HK$29.4 million for the year ended 31 December 2022 to HK$24.1 million for the Year, corresponding with a decrease in sales of these products during the Year.

GROSS PROFIT

During the Year, the Group's gross profit amounted to HK$233.2 million, representing a decrease of HK$23.9 million, or 9.3%, as compared with HK$257.1 million for the year ended 31 December 2022, primarily due to the market demand for its human hair extension products and lace wig products being sluggish which is affected by the slowdown in global economic growth and high inflation and high interest rate during the Year. The gross profit decreased primarily due to a drop in sales during the Year while partially offset by a decrease in the direct labour cost by streamlining by the production process and a decrease in the raw materials cost and the continuous benefit from the devaluation of the Bangladeshi Taka against the United States dollar. During the Year, the Group's gross profit margin amounted to 23.8%, representing an increase of 0.4 percentage points from 23.4% for the year ended 31 December 2022.

Wigs, hair accessories and others. Gross profit for wigs, hair accessories and others increased by HK$5.0 million, or 2.6%, from HK$190.1 million for the year ended 31 December 2022 to HK$195.1 million for the Year. Gross profit margin for this segment slightly increased from 21.8% for the year ended 31 December 2022 to 22.6% for the Year, primarily due to a decrease in the marginal cost of wigs, hair accessories and other products during the Year.

High-end human hair extensions. Gross profit for high-end human hair extensions decreased by HK$27.3 million, or 51.6%, from HK$52.8 million for the year ended 31 December 2022 to HK$25.6 million for the Year. Gross profit margin for this segment increased from 28.6% for the year ended 31 December 2022 to 31.8% for the Year, primarily due to the continuous improvement on the production process and the quality control enhancement on purchase procurement during the Year as compared to the year ended 31 December 2022.

Halloween products. Gross profit for Halloween products decreased by HK$1.6 million, or 11.6%, from HK$14.1 million for the year ended 31 December 2022 to HK$12.5 million for the Year. Gross profit margin for Halloween products increased from 32.4% for the year ended 31 December 2022 to 34.2% for the Year, primarily due to a decrease in the marginal cost on Halloween products during the Year as compared to the year ended 31 December 2022.

Management Discussion and Analysis

OTHER INCOME

Other income increased by HK$1.8 million, or 33.9%, from HK$5.4 million for the year ended 31 December 2022 to HK$7.3 million for the Year, primarily due to an increase in income from warehouse rental and bank interest income during the Year.

OTHER GAINS AND LOSSES

Other gains and losses decreased by HK$5.1 million, or 98.9%, from a loss of HK$5.2 million for the year ended 31 December 2022 to a loss of HK$0.1 million for the Year. The other gains and losses primarily comprise of a loss amount to HK$1.1 million from the fair value change of the financial assets at fair value through profit and loss and HK$0.7 million from the gain on the exchange conversion due to the repayment of a bank loan and the settlement in trade payable during the Year.

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

During the Year, the Group provided impairment losses of HK$2.1 million in respect of trade receivables (2022: Impairment losses of HK$0.2 million). The impairment losses of HK$2.1 million were provided in the trade and other receivable which are unlikely to be recovered.

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses increased by HK$4.3 million, or 16.1%, from HK$26.7 million for the year ended 31 December 2022 to HK$31.0 million for the Year, was mainly arising from the increase in the advertisement and commission paid during the Year.

ADMINISTRATIVE EXPENSES

Administrative expenses decreased by HK$19.0 million, or 13.7%, from HK$138.1 million for the year ended 31 December 2022 to HK$119.1 million for the Year, was mainly arising from the decrease in the legal and professional and salaries expenses during the Year.

OTHER EXPENSES

Other expenses increased by HK$0.2 million, or 82.8%, from HK$0.3 million for the year ended 31 December 2022 to HK$0.5 million for the Year. The donation made by the Group during the Year amounted to HK$0.5 million (2022: HK$0.3 million).

FINANCE COSTS

Finance costs increased by HK$7.0 million, or 23.4%, from HK$29.8 million for the year ended 31 December 2022 to HK$36.8 million for the Year. During the Year, the Group did not capitalise any interest on bank borrowings as the cost of qualifying assets (2022: HK$Nil million). The increase in finance cost primarily due to an increase in the interest rate.

TAXATION

Income tax expense of the Group increased by HK$2.6 million, or 66.6%, from HK$3.9 million for the year ended 31 December 2022 to HK$6.6 million for the Year. Income tax expense included deferred taxation in the amount of HK$0.6 million for the Year (2022: HK$0.1 million of reversed deferred taxation).

NET PROFIT

The Group's net profit for the Year amounted to HK$48.2 million, representing a decrease of HK$10.1 million, or 17.3%, as compared with a net profit of HK$58.3 million for the year ended 31 December 2022, primarily attributable to a drop in sale and switch from less sales of human hair extension products with high margin to more sales of braid products with low margin due to the weakness of the consumer purchasing power and the de-stocking pressure by customers during the Year when compared to the year ended 31 December 2022.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's bank balances, pledged bank deposits and cash increased by HK$13.7 million or 8.0% from HK$170.5 million as at 31 December 2022 to HK$184.2 million as at 31 December 2023. The increase in cash and bank balances as at 31 December 2023 was primarily due to an increase in the utilisation on bank borrowings under supplier financing arrangement for accounts payable payment during the Year.

BORROWINGS AND GEARING RATIO

As at 31 December 2023, the Group's banking facilities amounted to HK$834.0 million, of which HK$140.0 million remained unutilised. As at 31 December 2023, the gearing ratio of the Group, which is equivalent to the total interest-bearing debt (including secured bank borrowings, bank overdrafts and obligations under finance leases) divided by total equity, was 72.8% as compared to 61.9% as at 31 December 2022. Moreover, the net gearing ratio of the Group, which is equivalent to the total interest-bearing debt (including secured bank borrowings, bank overdrafts and obligations under finance leases) net of total cash and bank balances divided by total equity, was 51.1% as compared to 42.7% as at 31 December 2022. The increase in gearing ratio was primarily due to an increase in bank borrowings for the Year while the increase in net gearing ratio was primarily due to an increase in bank borrowings as at 31 December 2023.

Management Discussion and Analysis

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

During the Year, the Group spent approximately HK$28.2 million (including interest on bank borrowings of HK$Nil million capitalised as the cost of qualifying assets) on additions to fixed assets as compared to HK$29.8 million (including interest on bank borrowings of HK$Nil capitalised as the cost of qualifying assets) for the year ended 31 December 2022 mainly to maintain its manufacturing capabilities in Bangladesh. As at 31 December 2023, the Group had capital commitments of HK$0.6 million in respect of property, plant and equipment (2022: HK$0.6 million).

CURRENCY RISKS

A significant portion of the Group's revenue is derived from sales to overseas customers denominated in foreign currencies. For the Year, 90.1% (2022: 87.6%) of the Group's revenue was denominated in U.S. dollar (the "**US$**"). The Group mainly operates in Bangladesh and the PRC and most of the Group's operating expenses are denominated in Bangladeshi Taka (the "**Taka**") and Renminbi (the "**RMB**").

During the Year, the Group did not enter into any foreign currency forward contracts in view of the high volatility in the exchange rate of RMB. The Group has not hedged exposure to any change in the foreign exchange rate of Taka. The value of Taka or RMB against US$ and other currencies may fluctuate due to, among other things, political as well as economic policies and conditions both in the jurisdictions in which the Group operates as well as globally. The Group's profit margins could be adversely affected to the extent that the Group is unable to increase the US$ denominated selling prices of products sold to overseas customers or shift the exchange risk to the Group's customers to account for the appreciation of Taka or RMB against US$. These fluctuations may result in exchange losses or gains or increases or reductions in the Group's costs after translation from US$ to RMB or Taka. Any appreciation of Taka or RMB may lead to an increase in the Group's manufacturing costs if the Group is unable to pass on such additional costs to customers. This potential increase may, in turn, affect the Group's competitiveness against competitors outside Bangladesh and/or the PRC.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2023, the Group's banking facilities of HK$584,277,000 (2022: HK$555,854,000) were secured by:

(a) pledge of the Group's bank deposits of approximately HK$87.1 million (2022: HK$85.2 million);

(b) the Group's land and buildings and carparks in Hong Kong of approximately HK$84.5 million (2022: HK$89.4 million);

(c) the Group's land and buildings of approximately HK$22.3 million (2022: HK$28.4 million);

(d) investment properties in the PRC of approximately HK$Nil million (2022: HK$9.3 million);

(e) negative pledge of the assets of certain subsidiaries in the PRC and Bangladesh; and

(f) certain life insurance contract classified as financial assets at fair value through profit and loss of the Group.

As at 31 December 2023, the Group's other borrowing was secured by the Group's bank deposit of approximately HK$6.5 million (2022: HK$6.7 million).

OTHERS

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group employed a total of (i) 25,371 employees in Bangladesh, as compared to 25,199 as at 31 December 2022, (ii) 227 employees in China, as compared to 253 as at 31 December 2022, (iii) 63 employees in Hong Kong, as compared to 55 as at 31 December 2022, and (iv) 21 employees in Japan, the USA and Thailand, as compared to 29 as at 31 December 2022.

Total employee expenditures during the Year amounted to HK$308.7 million as compared to HK$385.6 million for the year ended 31 December 2022. The Group determines the remuneration of its employees based on prevailing market conditions, the relevant local laws and regulations regarding wage protection and the performance of the employees. Remuneration includes salary, bonuses and benefits. The remuneration packages of the employees are reviewed annually. The Group operates a defined contribution retirement scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all qualified employees. Employees of the Group's factories in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. For employees in Bangladesh, the Group is currently not subject to any compulsory social insurance contribution, but they are covered by a self-managed provident fund operated by the respective subsidiaries of the Group in Bangladesh. In addition, the Company has adopted the Share Option Scheme, details of which are set out in the sub-section headed "Share Option Scheme" in this annual report.

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

Management Discussion and Analysis

SHARE OPTION SCHEME

On 19 June 2017, a Share Option Scheme was adopted, 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.

During the Year, no option has been granted or agreed to be granted under the share option scheme.

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

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

IMPORTANT EVENTS AFTER THE END OF THE YEAR

There were no events after the reporting period that had significant impacts on the Group after 31 December 2023 and up to the date of this annual report.

OUTLOOK

The Group will continue to enlarge the sales team to explore new market opportunities and also increase to build up online stores on some famous cross-border e-commerce platforms to direct sales to the end customers, aiming to expand its customer base, achieve a more balanced and healthy market layout, and enhance its risk resistance.

The Group has continuously made all efforts to improve the bank loan portfolio to reinforce the balance sheet and to optimise production costs to further improve the profitability the soonest possible and enhance the liquidity.

The Board believes that the Group has managed the complex and changeable business environment and predicts that the market demand for hair products will gradually stabilise towards the end of this year. The Group will continue to focus on its core business, closely monitor the latest development of the industry and adjust its strategies to provide the best interest to the shareholders of the Company in the medium to longer term.

Biographical Details of Directors and Senior Management

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

EXECUTIVE DIRECTORS

Mr. Chang Yoe Chong Felix, aged 58, has been a Director since the incorporation of the Company on 19 May 2016. Mr. Chang was re-designated as an executive Director and appointed as the Chief Executive Officer on 9 September 2016. He is also the Chairman of the Group, the chairman of the nomination committee (the "**Nomination Committee**") and a member of the remuneration committee (the "**Remuneration Committee**") of the Company and has assumed various positions in the Company's subsidiaries including a director of Evergreen Products Factory Limited, a director of EPF Global Enterprises Limited, a director of EPF International Limited, the sole director and manager of Kunming Evergreen Hair Products Co., Ltd.* (昆明訓修髮製品有限公司), a director of Evergreen Products Factory (BD) Ltd., a director of Gold Timing Manufacture (BD) Limited and the manager of Evergreen Products Factory (YZ) Co., Ltd.* (訓修實業（禹州）有限公司). He is responsible for the Group's overall business strategy and major business decisions. He also oversees the Group's operation in Hong Kong, China, Bangladesh and Japan. Mr. Chang is also a director of certain substantial shareholders of the Company including Evergreen Enterprise Holdings Limited, Golden Evergreen Limited, FC Investment Worldwide Limited and CLC Investment Worldwide Limited.

Mr. Chang joined the Group in April 1992 as a manager and was promoted to be the Vice-Chairman and Managing Director in September 1996. He accumulated over 30 years of experience in the hair goods industry. Since joining the Group, Mr. Chang has been responsible for the Group's business strategies and decision-making. Mr. Chang also developed and modified the Group's strategies relating to production, market strategies, and research and development. He has also proposed directional recommendations to the Company by discovering new business opportunities. Mr. Chang has also significantly expanded the Group's scale of production which has led to the Group's current leading position in the hair goods industry.

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

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

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

* *For identification purposes only*

Biographical Details of Directors and Senior Management

Mr. Chan Kwok Keung, aged 56, was appointed as an executive Director on 9 September 2016. Mr. Chan is currently the head of the Company's sales and marketing department and primarily responsible for overseeing the Group's sales and marketing.

Mr. Chan joined the Group in March 1995 and accumulated over 27 years of experience in sales and marketing. He has held various positions in the Group, including director of Evergreen Products Factory Limited, director of EPF Global Enterprises Limited, director of EPF International Limited, director of Evergreen Products Factory (BD) Ltd., as well as director of Gold Timing Manufacture (BD) Limited. Before joining the Group, Mr. Chan worked in the Korea Trade Centre, the Korean Trade-Investment Promotion Agency, as a market research officer from September 1990 to April 1994.

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

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

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

Ms. Jia Ziying, aged 47, was appointed as an executive Director on 9 September 2016. Ms. Jia is currently the head of the Company's research and development department and production coordination department and is primarily responsible for the Group's product research and development, and the overall manufacturing management. She is also a director of Evergreen Products Factory Limited.

Ms. Jia joined the Group in July 1997 and accumulated over 25 years of experience in design and development of the hair goods. In February 2002, she set up a product design, research and development division for wigs made by sewing machines. In February 2009, Ms. Jia took charge of the product design, research and development division for weaving products. In February 2011, she was promoted to the head of the Group's research and development department and production coordination department. As the head of the Group's production coordination department, Ms. Jia has been primarily responsible for overseeing production and operations management. In March 2011, Ms. Jia also took charge of the product design, research and development division for Halloween products.

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

Biographical Details of Directors and Senior Management

Save as disclosed above, Ms. Jia does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

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

Mr. Li Yanbo, aged 53, was appointed as an executive Director on 9 September 2016. He is primarily responsible for the Company's sales and marketing in the PRC. Mr. Li is also a director of Evergreen Products Factory (SZ) Co., Ltd.* (訓修實業（深圳）有限公司) and Evergreen Products Factory Limited, respectively.

Mr. Li has over 27 years of experience in sales and marketing and has assumed various positions in the Group. Mr. Li joined the Group in September 1995 as a merchandiser in Shenzhen Evergreen Hair Products Co., Ltd.* (深圳訓修髮製品有限公司) and was later promoted to its production planner and production director in October 1996 and February 1997, respectively. In October 1998, Mr. Li was further promoted to the manager of the PRC marketing department in Kunming Evergreen Hair Products Co., Ltd.* (昆明訓修髮製品有限公司). Since then, he has been primarily responsible for the Group's sales and marketing in the PRC, including but not limited to sales, marketing planning, market information collection and after-sales service.

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

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

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

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

* *For identification purposes only*

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Chan Lau Yui Kevin, aged 57, was appointed as a non-executive Director on 9 September 2016, representing SEAVI Advent Investments Ltd, a pre-IPO investor of the Group. He has been a director of Evergreen Enterprise Investment Limited since June 2016 and was also a director of Evergreen Product Factory Limited from 2015 to 2017. Mr. Chan is responsible for formulation of the Group's strategic directions and for high level oversight of the Group's management and operations. Mr. Chan is a senior partner of SEAVI Advent Private Equity Limited, overseeing its fund management activities for private equity investments in Greater China. Mr. Chan is also an executive director and a responsible officer of SEAVI Advent Ocean Private Equity Limited, a company licensed to conduct type 9 (asset management) regulated activities under the SFO.

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

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

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

As at 31 December 2023, Mr. Chan did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sin Hendrick *M.H.*, aged 49, was appointed as an independent non-executive Director on 19 June 2017. He is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Sin is responsible for giving strategic and independent advice and guidance on the Group's business and operations.

Mr. Sin is a founding partner of China Prosperity Capital Fund. He is also the vice chairman of CMGE Group Limited and has been an executive director of CMGE Technology Group Limited (the shares of which were listed on the Stock Exchange on 31 October 2019, stock code: 0302) since 25 April 2018. Since November 2019 and July 2022, Mr. Sin has respectively been serving as an independent non-executive director of 36 Kr Holdings Inc., whose shares are listed on the NASDAQ (stock code: KRKR) and Suning.com Co., Limited, a company listed on the Shenzhen Stock Exchange (stock code: 002024). Mr. Sin has been appointed as an independent non-executive director of Hong Kong Economic Times Holdings Limited, a company listed on the Stock Exchange (stock code: 423) since January 2023. Between July 2013 and August 2015, Mr. Sin was an independent non-executive director of AID Partners Capital Holdings Limited, a company listed on the Stock Exchange (Stock Code: 8088). Between March 2009 and October 2012, Mr. Sin was an executive director and the chief financial officer of V1 Group Limited, a company listed on the Stock Exchange (Stock Code: 0082).

Mr. Sin obtained a Master of Science degree in Engineering Economic Systems and Operations Research from Stanford University in June 1997. He also obtained three Bachelor of Science degrees in Mathematics/ Computer Science, Economics and Industrial Management from Carnegie Mellon University in May 1996. Mr. Sin is a member of The Hong Kong Institute of Directors the executive vice-chairman of the Hong Kong Software Industry Association (香港軟件行業協會). Mr. Sin has become a member of the Tianjin Municipal's Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議) since January 2018 and has been elected as a deputy of the fourteenth National People's Congress in Hong Kong SAR on 15 December 2022.

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

As at 31 December 2023, Mr. Sin did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

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

Biographical Details of Directors and Senior Management

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

Mr. Szeto obtained a Postgraduate Certificate in Laws and a Bachelor of Laws degree (with Honours) from the University of Hong Kong in June 1990 and December 1989, respectively. Since December 2019 and March 2023, Mr. Szeto has respectively been serving as an independent executive director of Wise Ally International Holdings Limited, a company listed on the Stock Exchange (stock code: 9918) and Chiho Environmental Group Ltd, a company listed on the Stock Exchange (stock code: 976).

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

As at 31 December 2023, Mr. Szeto did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

Ir. Cheung Siu Wa, aged 62, was appointed as an independent non-executive Director on 18 February 2019, Ir. Cheung is responsible for giving strategic and independent advice and guidance on the Group's business and operations.

Ir. Cheung is an equity partner of Key Direction Limited ("**KDL**"), a railway engineering consultancy firm based in Hong Kong with subsidiaries in Kuala Lumpur, Singapore and Macau. He has been appointed as the vice chairman and a director of KDL since September 2018. Before joining KDL, he worked in MTR Corporation Limited ("**MTR**"), a company listed on Stock Exchange (stock code: 0066), for 35 years during the period from November 1983 to July 2018 and held various senior positions in MTR involving railway operations and maintenance and construction of new extension projects. He joined MTR in 1983 as a graduate engineer, and had progressed over the years to senior management positions in its Operations and Projects Divisions. He was seconded to Ngong Ping 360 Limited as its managing director from September 2007 to July 2009. In July 2009, Ir. Cheung was appointed as the Chief of Operating of MTR and was responsible for the operations of all transport business of MTR in Hong Kong. In January 2011, he took up the position of the Chief of Operations Engineering of MTR for overseeing all maintenance and technical functions for railway assets. Ir. Cheung was the Human Resources Director of MTR between July 2012 and June 2015 and the European Business Director of MTR between June 2015 and June 2016. He was the president of the MTR Academy between July 2016 and July 2018 and a member of the Executive Directorate of MTR between July 2012 and July 2018.

Ir. Cheung is a fellow of each of The Hong Kong Institution of Engineers, The Institution of Electrical Engineers of the United Kingdom and The Chartered Institute of Logistics & Transport in Hong Kong. He is also a member of the Hong Kong Institute of Directors. Ir. Cheung has become a member of the Yunnan Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議) between 2018 to 2023.

Biographical Details of Directors and Senior Management

Ir. Cheung obtained a Bachelor of Science degree in Engineering and a Master of Science degree in Engineering from The University of Hong Kong in 1983 and 1990, respectively, a Master of Business Administration degree from the City Polytechnic of Hong Kong (now called City University of Hong Kong) in 1990 and a Master of Science degree in Financial Analysis from The Hong Kong University of Science and Technology in 2005.

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

As at the 31 December 2023, Ir. Cheung did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

SENIOR MANAGEMENT

Mr. To Hin Pak, aged 44, joined the Group on 20 May 2022 as the Chief Financial Officer of the Company, and is responsible for supervising financial reporting, corporate finance, treasury, tax and other financial related matters, and overseeing investment activities and transactions of the Group.

Mr. To is a fellow member of the Association of Chartered Certified Accountants and a member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute). Mr. To has over twenty years of experience in accounting and financial management. Mr. To obtained a master's degree in Corporate Governance in 2013 and a Bachelor of Arts degree in Accountancy in 2002, in each case, from the Hong Kong Polytechnic University.

Corporate Governance Report

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 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 Year, save and except for code provision C.2.1, which states that the roles of chairman and chief executive should be separate and should not be performed by the same individual, details of which are set out below:

Pursuant to code provision C.2.1 of the CG Code, the responsibilities between the chairman and the chief executive officer should be separate and should not be performed by the same individual. However, Mr. Chang Yoe Chong Felix, an executive Director, currently performs these two roles in the Company. Given the current scale of the Company's operations and management structure, the Company considers that entrusting Mr. Chang, who has been the Company's key leadership figure and chiefly responsible for the business strategy, decisions and operations, to perform both the functions of the chairman and the chief executive officer of the Company is appropriate. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership within the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired considering the background and experience of the Directors and the number of independent non-executive Directors in the Board and this structure will enable the Company to make and implement decisions promptly and effectively.

CORPORATE GOVERNANCE PRINCIPLES AND THE COMPANY'S PRACTICES

A. DIRECTORS

A.1. Board of Directors

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

The Company has in place mechanisms to ensure that independent views and input are available to the Board. Such mechanisms include appointing sufficient number of independent non-executive Directors, reviewing their time contribution and assessing their performance annually. If required, the Directors may request for separate independent professional advice to be provided to them to assist them to discharge their duties at the Company's expenses.

A.2. Chairman and Chief Executive Officer

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

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

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

A.3. Board Composition

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

Corporate Governance Report

The Board currently comprises four executive Directors, namely, Mr. Chang Yoe Chong Felix, Mr. Chan Kwok Keung, Ms. Jia Ziying and Mr. Li Yanbo; one non-executive Director, namely, Mr. Chan Lau Yui Kevin; and three independent non-executive Directors, namely, Mr. Sin Hendrick *M.H.*, Mr. Szeto Yuk Ting and Ir. Cheung Siu Wa. Mr. Li Yanbo is the spouse of Ms. Jia Ziying. Mr. Chang Yoe Chong Felix is the Chairman of the Board.

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

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

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

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

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

Prior to 1st January 2022, Code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. After the new amendment to the CG Code which came into force on 1st January 2022, the non-executive Directors are no longer to be appointed for a specific term. During the Year, Mr. Tseung Yuk Hei Kenneth resigned as independent non-executive Director with effect from 1 June 2023.

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

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

A.5. Responsibilities and Delegation of Directors

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

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

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

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

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

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

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

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

Corporate Governance Report

A.6. Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its code of conduct for 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 Year.

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

A.7. Corporate Governance Functions

The Audit Committee is responsible for performing the functions as set out in code provision D.3.3 of the CG Code.

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

A.8. Continuous Professional Development of Directors

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

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

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

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

Corporate Governance Report

Name	Attending internal seminars and training on the Model Code and corporate governance	Attending seminars/ workshops on Directors' responsibilities and other related issues	Reading relevant news alerts, newspapers, journals, magazines, relevant publications and guidelines on Directors' continuous responsibilities, corporate governance and other related issues
Executive Directors			
Mr. CHANG Yoe Chong Felix *(Chairman and Chief Executive Officer)*	–	–	✔
Mr. CHAN Kwok Keung	–	–	✔
Ms. JIA Ziying	–	–	✔
Mr. LI Yanbo	–	–	✔
Non-executive Director			
Mr. CHAN Lau Yui Kevin	–	✔	✔
Independent non-executive Directors			
Mr. SIN Hendrick *M.H.*	–	–	✔
Mr. SZETO Yuk Ting	✔	✔	✔
Ir. CHEUNG Siu Wa	–	–	✔
Mr. TSEUNG Yuk Hei Kenneth (resigned with effect from 1 June 2023)	–	✔	✔

Each of the Directors has complied with code provision C.1.4 of the CG Code. The Directors have confirmed that they have devoted sufficient time and attention to the affairs of the Group. Besides, the Directors have disclosed to the Company their interests as director and other office in other public companies and organizations in a timely manner and updated the Company on any subsequent changes.

Corporate Governance Report

B. BOARD COMMITTEES

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

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

B.1. Audit Committee

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

B.1.1. Duties of the Audit Committee

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

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

B.1.2. Work Performed by the Audit Committee

The Audit Committee held three meetings during the Year, at which it reviewed the audited annual results of the Group for the year ended 31 December 2022, the unaudited interim results of the Group for the six months ended 30 June 2023 and the 2023 Planning Report to Audit Committee of the Group prepared by Deloitte Touche Tohmatsu, the Company's independent auditor ("**Deloitte**" or the **"Independent Auditor**"), the terms of reference of the Audit Committee, other matters related to the financial and accounting policies and practices of the Company, as well as the nature and scope of the audit for the Year. Further, it reviewed the Group's internal control review report, the risk management policy and a report on risk assessment prepared by CityLinkers Corporate Advisory Services Limited (an independent advisor of the Company) (the "**Independent Advisor**"), and put forward relevant recommendations to the Board for approval.

On 22 March 2024, the Audit Committee held another meeting and reviewed the audited consolidated financial statements of the Group as well as the accounting principles and policies for the Year in the presence of the representatives from Deloitte, and the Company's management. It also reviewed this report, a report on enterprise risk management of the Company prepared by the Independent Advisor and a report on internal control review and assessment of risk management prepared by the internal audit team of the Group. The Audit Committee concluded that the internal control systems and risk management of the Group are effective and adequate.

B.2. Remuneration Committee

On 19 June 2017, the Board established the Remuneration Committee which currently comprises four members, including three independent non-executive Directors, namely Mr. Szeto Yuk Ting (Chairman), Mr. Sin Hendrick *M.H.* and Ir. Cheung Siu Wa and an executive Director, Mr. Chang Yoe Chong Felix.

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

B.2.1. Duties of the Remuneration Committee

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

Corporate Governance Report

B.2.2. Work Performed by the Remuneration Committee

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

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

Remuneration band	Number of persons
HK$1 to HK$500,000	7
HK$500,001 to HK$1,500,000	2
HK$3,000,001 to HK$4,000,000	1

B.3. Nomination Committee

On 19 June 2017, the Board established the Nomination Committee which currently comprises four members, including an executive Director, Mr. Chang Yoe Chong Felix (Chairman) and three independent non-executive Directors, namely Mr. Sin Hendrick *M.H.*, Mr. Szeto Yuk Ting and Ir. Cheung Siu Wa.

B.3.1. Duties of the Nomination Committee

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

The Company and the Nomination Committee commit to selecting the best person for the role as Director. In assessing the composition of the Board, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Board diversity policy adopted by the Company, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

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

The Company has adopted a policy for the nomination of Directors, which sets out the procedures as well as the process and criteria for nomination and appointment of a new Director and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business.

The Nomination Committee should, upon receipt of the proposal on appointment of a new Director and his/her biographical information, evaluate such candidate based on the criteria as set out in the nomination policy to determine whether such candidate is qualified for directorship. If the process yields one or more desirable candidates, the Nomination Committee should rank them by order of preference based on the needs of the Company and reference check of each candidate. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable. For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee should evaluate such candidate based on the criteria as set out in the nomination policy to determine whether such candidate is qualified for directorship.

To ensure that a newly appointed Director will have a proper understanding of the operations and business of the Company and is fully aware of his/her responsibilities under all applicable laws and regulations (including the Listing Rules), he/she will be provided with a comprehensive, tailored made and formal induction on the first occasion of his/her appointment.

B.3.2. Work Performed by the Nomination Committee

The Nomination Committee held two meetings during the Year to review the size and composition of the Board and the independence of the independent non-executive Directors, identify any new Board member and make recommendation on the re-election of the retiring Directors at the 2024 annual general meeting.

Corporate Governance Report

C. ATTENDANCE RECORD AT MEETINGS

During the Year, six Board meetings, three meetings of the Audit Committee, three meetings of the Remuneration Committee, two meetings of the Nomination Committee and one general meeting of the Company were held. Attendance of individual Directors at such meetings are as follows:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	General Meetings
Number of meetings	6	3	3	2	1
Executive Directors					
Mr. Chang Yoe Chong Felix *(Chairman and Chief Executive Officer)*	5	N/A	2	2	1
Mr. Chan Kwok Keung	4	N/A	N/A	N/A	1
Ms. Jia Ziying	5	N/A	N/A	N/A	1
Mr. Li Yanbo	5	N/A	N/A	N/A	1
Non-executive Director					
Mr. Chan Lau Yui Kevin	4	N/A	N/A	N/A	–
Independent Non-executive Directors					
Mr. Sin Hendrick *M.H.*	4	3	2	2	–
Mr. Szeto Yuk Ting	6	3	3	2	1
Ir. Cheung Siu Wa	4	2	–	–	1
Mr Tseung Yuk Hei Kenneth (Resigned with effect from 1 June 2023)	3	1	1	2	1

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

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

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

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

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

D. ACCOUNTABILITY AND AUDIT

D.1. Financial Reporting

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

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

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

D.2. Independent Auditor's Reporting

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

D.3. Independent Auditor's Remuneration

The fees in respect of the audit and non-audit services provided to the Group by the Independent Auditor for the Year amounted to approximately HK$2.0 million and HK$0.8 million, respectively. The non-audit services mainly consisted of tax assessment review and interim review of the Group for the Year.

Corporate Governance Report

E. DIVERSITY

The Company has adopted a board diversity policy. As detailed under paragraph B.3.1 above in this Corporate Governance Report, gender is one of the factors which the Board will consider in maintaining the composition of the Board. As at the date of this report, there is one female Director on the Board. In the future, the Board will continue to pay due regard to the importance of diversity in identifying potential candidates for directorships and continue to ensure that gender is one of the factors to be considered in appointing Directors by the Nomination Committee.

As at 31 December 2023, the gender ratio of the workforce of the Group was 27:73 male to female. As to senior management, currently the Chief Financial Officer of the Company is male. Although the Company does not currently have a specific diversity policy on hiring employees or appointing senior management, its HR measures and practices promote anti-discrimination and equal opportunity in all human resources decisions processes, as mentioned in paragraph 5.1.1 of the Environmental, Social and Governance Report. The Company will review the effectiveness of these measures and practices against the actual circumstances of the Group and will adopt new policies when considered necessary. In particular, it will continue to monitor the above-mentioned gender ratio and will aim at achieving a greater gender diversity in hiring all positions across the Group.

F. INTERNAL CONTROLS AND RISK MANAGEMENT REPORT

The Board is directly responsible for risk management and the internal control systems of the Group and reviewing their effectiveness. The systems are designed for the Group to identify and manage significant risks to achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The systems are designed to manage rather than to eliminate the risk of failure in order to achieve the business objectives of the Group, and can only serve as reasonable, but not absolute, assurance against material misstatement or loss.

The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design and implementation and the overall effectiveness of the systems. The Board conducts and reviews the effectiveness of the systems on a semi-annual basis through the Audit Committee which is responsible for all material controls and measures, including financial, operational and compliance controls. The Board has adopted a comprehensive risk management policy to identify, evaluate and manage significant risks. The Group can thereby identify risks which might adversely affect the achievement of the Group's objectives, and assess as well as prioritise the level of risk, in order to draw up risk mitigation plans which can then be established to respond to such significant risks.

The Audit Committee relies on the following parties for reviewing the Group's systems:

- The Company has an internal audit function. The Group Internal Audit Department (the "**GIA**") reviews material internal control aspects of the Group, including financial, operations and compliance controls. During the Year, the GIA conducted audits and issued internal audit reports to management covering various financial, operational and compliance controls based on the annual internal audit work plan. Audit findings were reported to the Audit Committee and the Board on a semi-annual basis. Relevant findings, recommendations and risk assessment results reported by GIA were communicated with management and remediation actions were taken to resolve deficiencies once they are identified. There were no material internal control deficiencies identified during the year.

- To further strengthen the resilience of the systems, the Board had engaged an external independent internal control consultant (the "**IC Consultant**") to perform a review of the Group's internal controls (the "**Internal Controls Review**") and assist the Company to perform a Group level risk assessment during the year. The scope of work of the IC Consultant was to conduct a gap analysis of the Company's overall systems to identify potential areas of improvement through interviews with designated responsible personnel and examined relevant documents of certain business processes, to identify potential internal controls design gaps, and to recommend remedial actions to be taken. Observations are reported to the Audit Committee on an annual basis.

- The IC Consultant adopts a risk-based approach when reviewing the system; the GIA develops and implements the annual internal audit work plan based on the Group level risk assessment results.

Management has confirmed to the Board and the Audit Committee on the effectiveness of the systems during the Year. The Board, as supported by the Audit Committee, reviewed the systems, including the financial, operational and compliance controls during the Year, and considered that such systems are effective and adequate. The annual review also covered the Company's accounting and financial reporting function, internal audit as well as the function relating to its ESG performance and reporting staff's qualifications, experiences and relevant resources.

G. HANDLING AND DISSEMINATION OF INSIDE INFORMATION

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

Corporate Governance Report

H. COMPANY SECRETARY

Mr. Siu Ching Hung, an employee of the Company, has been appointed as the company secretary of the Company. During the Year, Mr. Siu has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

I. COMMUNICATION WITH SHAREHOLDERS

I.1. Effective Communication

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

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

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

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

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

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

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

On 25 May 2023, the annual general meeting was held, at which the Board and the chairmen of the Audit Committee and the Remuneration Committee were present to answer questions from shareholders.

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

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

Pursuant to article 64 of the articles of association of the Company, one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company and having the right of voting at general meetings may make a requisition to convene an extraordinary general meeting by a written requisition to the Board or the company secretary either via mail to the Company's principal place of business in Hong Kong at 11th Floor, Chiap Luen Industrial Building, 30–32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong or at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, or via email to info2@epfhk.com. Such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within 21 days of such deposit, the requisitionist(s) himself/themselves may do so in the same manner.

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

Any shareholder who wishes to put forward proposals at a general meeting of the Company shall submit such proposals to the Board in writing for the Board's consideration either via mail to the Company's principal place of business in Hong Kong at 11th Floor, Chiap Luen Industrial Building, 30–32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong or at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, or via email to info2@epfhk.com not less than seven days prior to the date of the general meeting.

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

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

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

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

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

Email: info2@epfhk.com

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

Corporate Governance Report

J. CONSTITUTIONAL DOCUMENTS

The Company has adopted the Fourth Amended and Restated Memorandum and Articles of Association by way of a special resolution passed at an annual general meeting held on 25 May 2023. An up-to-date version of the Fourth Amended and Restated Memorandum and Articles of Association is available on the Company's website and the Stock Exchange's website.

Save as disclosed above, there was no change in the constitutional documents of the Company during the Year.

K. INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with its shareholders and potential investors in order for them to better understand the Group's business performance and strategies. In line with the shareholders' communication policy of the Company, the Company maintains an on-going dialogue with shareholders and the investment community, in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries. Investors, stakeholders and the public can also communicate and/or raise concerns or suggestions with the Company by phone on (852) 2427 5468 during normal business hours, by fax at (852) 2420 3938 or by e-mail at info2@epfhk.com.

The Board has considered the shareholders' communication policy of the Company as described above and is satisfied that there are effective channels by which shareholders can communicate and raise concern with the Company.

Report of the Directors

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

PRINCIPAL ACTIVITIES

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

Particulars of the Company's principal subsidiaries as at 31 December 2023 are set out in note 41 to the Consolidated Financial Statements.

BUSINESS REVIEW AND OUTLOOK

A fair review of the business of the Group including a discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position as well as an indication of likely future development in the Group's business as required by section 388(2) and Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) can be found in the section headed "Management Discussion and Analysis" of this annual report. The financial risk management objectives and policies of the Group are set out in note 36 to the Consolidated Financial Statements.

RESULTS AND DIVIDENDS

Details of the consolidated loss of the Group for the Year and the Group's financial position as at 31 December 2023 are set out in the Consolidated Financial Statements and their accompanying notes on pages 101 to 189.

The Board has recommended the payment of a final dividend of HK2.9 cents per Share for the Year, totalling approximately HK$19,000,000 based on a total of 655,652,000 Shares in issue as at the date of this annual report, plus the interim dividend of HK4.2 cents per Share already declared and paid, making a total dividend of HK7.1 cents per Share (2022: final dividend of HK3.7 cents per Share and interim dividend of HK1.7 cents per Share).

Report of the Directors

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**") on payment of dividends. The objectives of the Dividend Policy are to allow shareholders of the Company to participate in the Company's profits and to attract potential investors whilst retaining adequate reserves for the Group's future growth.

The Board shall consider the following factors of the Group before declaring or recommending dividends:

- financial results;
- shareholders' interests;
- general business conditions and strategies;
- capital requirements;
- contractual restrictions on the payment of dividends by the Company to its shareholders or by the Company's subsidiaries to the Company;
- taxation considerations;
- possible effects on our creditworthiness;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

The Company intends distribute no less than 20% of its net distributable profits as dividends to its shareholders for each financial year, subject to the conditions and factors as set out above.

The Board will review the Dividend Policy, as appropriate, to ensure its effectiveness from time to time.

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

The manufacturing of hair goods is labour intensive. Labour supply is key to being able to ensure the quality of the Group's products. The Group's performance relies on the steady supply of skilled and low-cost labour in Bangladesh and the PRC. The Group's direct labour costs accounted for approximately 32.1% of its total cost of goods sold for the Year (2022: 35.2%). Labour costs are primarily affected by the demand for and supply of labour, laws and regulations governing the industries operating inside the export processing zones, and other economic factors such as the rate of inflation and standard of living. Labour costs may increase due to a shortage of skilled labour or growing industry demands for skilled workers. There is no assurance that supply of skilled workers would not be disrupted or that labour costs would not increase. As such, the Group is subject to the risks associated with labour supply and its respective costs.

RISKS WITH REGARD TO HIGHLY COMPETITIVE INDUSTRY AND COMPETITION AMONG COMPETITORS

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

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

Report of the Directors

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

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

A significant portion of the Group's revenue is derived from international markets, in particular, the United States. For the Year, the Group derived 98.7% (2022: 97.8%) of the Group's revenue from sales outside the PRC and derived 90.1% (2022: 87.6%) of the Group's revenue from sales to the United States. As the Group relies heavily on international sales and sales to the United States, the economic conditions of these regions have had and will continue to have a significant impact on the Group's sales and business. Any significant downturn in the global economy and particularly in the local economies of the United States could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

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

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

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

The Group's five largest suppliers collectively supplied raw materials comprising 42.3% (2022: 23.0%) of the Group's cost of goods sold during the Year. The Group's largest supplier supplied raw materials comprising 32.1% (2022: 18.9%) of the Group's cost of goods sold. Some of the synthetic fibres that the Group uses in the manufacturing of products are not able to be readily sourced from other suppliers. If there is any decrease or disruption in supply or an increase in prices by one or more of the Group's major suppliers, particularly the Group's largest supplier, or any termination of the Group's business relationships with the Group's major suppliers and any failure to find replacement suppliers on similar or favourable terms in a timely manner, the Group's business, results of operations, financial condition and prospects could be adversely affected.

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

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

As at 31 December 2023, the Group recorded net cash from operating activities of HK$384.2 million (2022: net cash from operating activities of HK$421.6 million) and net cash use in financing activities of HK$342.9 million (2022: net cash used in financing activities of HK$368.4 million). During the Year, the Group had used net cash of HK$26.3 million (2022: HK$38.5 million) in its investing activities. The Group had total bank and other borrowings and bank overdrafts of HK$603.7 million (2022: HK$540.2 million), out of which HK$568.6 million (2022: HK$526.2 million) will be due within one year or repayable or demanded. Also, the Group had cash and cash equivalents of HK$90.6 million (2022: HK$78.6 million) and unutilised bank credit facilities of HK$140.0 million (2022: HK$187.0 million). While the Group has in the past financed its working capital needs primarily with cash generated from operating activities and borrowings, there is no assurance that the Group will always be able to generate net cash from operating activities or that banking facilities or other loans will always be available to it on commercially acceptable terms, or at all. Even if the Group is able to obtain new borrowings, any increased level of indebtedness could have a negative impact on the Group's business. For example, any increase in finance expenses could lower the Group's profitability, and the banking facilities that the Group may enter into may contain covenants limiting its flexibility in planning for, or reacting to, changes in its business. The Group may even be in breach of certain covenants in existing bank facilities by increasing its level of indebtedness.

Report of the Directors

RISKS WITH REGARD TO CONDUCTING BUSINESS IN BANGLADESH

The Group's principal manufacturing capacities are currently housed in the Bangladesh Factory. As at 31 December 2023, the Group had a total of 25,371 employees (2022: 25,199 employees) in Bangladesh. Operating in developing countries exposes the Group to risks associated with regional, political and economic instabilities that could have a disproportionately negative effect on the Group's business, financial condition, results of operations and prospects.

The application of the laws in market-emerging countries such as Bangladesh is not always clear nor consistent. The legislative drafting has not always kept pace with the demands of the marketplace, which can make it difficult to ensure that the Group is in compliance with changing legal requirements. Moreover, the government has the broad discretion in the grant of its licences and permits, including revocation for public interests. In addition, regulations are often introduced that require the Group to implement changes that are costly and technologically challenging. The regulators responsible for the control and supervision of communications services in Bangladesh frequently check the Group's compliance with the requirements of the applicable regulations. The Group may incur significant costs in implementing such compliance.

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

RISKS WITH REGARD TO CONDUCTING BUSINESS IN THE PRC

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

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

INTEREST RATE RISKS

Most of the Group's borrowings are floating-rate bank loans, which expose the Group to rising interest rates. The Group will closely monitor the interest rate risk and when appropriate adopt measures to manage the associated risk, including but not limited to, the issuance of fixed rate bonds, and use of derivatives such as interest rate swaps and management of the ratio of fixed or floating loan portfolio. The Group had not entered into any interest rate swap contract to hedge exposure to the fluctuations of floating rate bank loans during the Year. (2022: HK$Nil). During the Year, the Group had not incurred any net loss (2022: HK$Nil) from the transactions under the contract.

CURRENCY RISKS

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

DIRECTORS

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

EXECUTIVE DIRECTORS

Mr. CHANG Yoe Chong Felix *(Chairman and Chief Executive Officer)*
Mr. CHAN Kwok Keung
Ms. JIA Ziying
Mr. LI Yanbo

NON-EXECUTIVE DIRECTOR

Mr. CHAN Lau Yui Kevin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SIN Hendrick *M.H.*
Mr. SZETO Yuk Ting
Ir. CHEUNG Siu Wa
Mr. TSEUNG Yuk Hei Kenneth (resigned with effect from 1 June 2023)

Report of the Directors

In accordance with article 108 of the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire every year will be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. By virtue of articles 108 and 111 of the articles of association of the Company, Ms. Jia Ziying, Mr. Chan Lau Yui Kevin and Ir. Cheung Siu Wa will retire from office and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company (the "**AGM**").

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

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

CHANGES IN INFORMATION OF DIRECTORS

Changes in information of the Directors since the publication of the interim report of the Company for the six months ended 30 June 2023, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

- Ir. Cheung Siu Wa, an independent non-executive Director of the Company, has been appointed as a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee with effect from 1 June 2023.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are supervised by the Remuneration Committee and determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the Directors' remuneration are set out in note 12 to the Consolidated Financial Statements.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

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

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 34 headed "Related Party Transactions" to the Consolidated Financial Statements, no Director nor an entity connected with a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

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

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

DIRECTORS OF SUBSIDIARIES

Other than the Directors named in the section headed "Biographical Details of Directors and Senior Management" of this annual report, the persons who had served on the boards of the subsidiaries of the Company during the Year and up to the date of this report include Mr. Chan Wing Shing, Mr. Feng Zhi Hui, Mr. Li San Tung, Mr. Hu Jianan, Mr. Li Chao, Mr. Dewan Zakir Hussain, Ms. Loretta Lo, Ms. Sujifra Luangcharoen, Mr. Chan Hau Him Howard, Mr. Quazi Ferdaus-Us-Alam, Mr. Nakayama Masashi, Mr. Satoshi Itakura, Mr. Yoshio Seko, Ms. Ma Jiaxian, Mr. Kwok Che Fai Ricky and Ms. Chan Yee Man.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

DEED OF NON-COMPETITION

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

SHARE OPTION SCHEME

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

PURPOSE OF THE SHARE OPTION SCHEME

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

WHO MAY JOIN AND BASIS OF ELIGIBILITY

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe at a price calculated in accordance with paragraph headed "price of shares" below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

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

PRICE OF SHARES

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

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

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

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme was 61,500,000 Shares, representing approximately 9.38% of the Company's issued Share capital as at the date of this report.

MAXIMUM ENTITLEMENT OF EACH PARTICIPANT UNDER THE SHARE OPTION SCHEME

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

Report of the Directors

TIME OF EXERCISE OF AN OPTION

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

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

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

AMOUNT PAYABLE ON APPLICATION OR ACCEPTABLE OF AN OPTION

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

BASIS OF DETERMINING THE EXERCISE PRICE

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

LIFE OF THE SHARE OPTION SCHEME

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

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

During the Year, no option has been granted or agreed to be granted under the Share Option Scheme.

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

As at 31 December 2023, the interests or short positions of the Directors and chief executives' of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

LONG POSITION IN THE SHARES OF THE COMPANY

Name of Director/ chief executive	Capacity/nature of interest	Number of Shares	Approximate percentage of issued share capital of the Company[9]
Mr. Chang Yoe Chong Felix	(i) Beneficiary of a trust/ Founder of a discretionary trust	343,369,803[1]	52.37%
	(ii) Beneficial owner	12,790,000[2]	1.95%
Mr. Chan Kwok Keung	Beneficial owner	1,000,000[3]	0.15%
Ms. Jia Ziying	(i) Beneficial owner	394,000[4]	0.06%
	(ii) Interest of spouse	100,000[6]	0.02%
Mr. Li Yanbo	(i) Beneficial owner	100,000[5]	0.02%
	(ii) Interest of spouse	394,000[6]	0.06%

Notes:

(1) These Shares are held directly by Evergreen Enterprise Holdings Limited (the "**Evergreen Holdings**"), a direct wholly-owned subsidiary of Golden Evergreen Limited (the "**Golden Evergreen**"). 49% and 51% of the issued share capital of Golden Evergreen are owned by FC Investment Worldwide Limited (the "**FC Investment**") (a direct wholly-owned subsidiary of FC Management Limited (the "**FC Management**")) and CLC Investment Worldwide Limited (the "**CLC Investment**") (a direct wholly-owned subsidiary of CLC Management Limited (the "**CLC Management**")), respectively. FC Management is directly and wholly-owned by HSBC International Trustee Limited as the trustee of a discretionary trust established on 17 February 2010 by Mr. Chang Yoe Chong Felix as the settlor for the benefit of the late Mr. Chang Chih Lung (who passed away in March 2023), Mr. Chang Ka Wai Aidan and Mr. Chang Yoe Chong Felix's issue (the "**Felix Family Trust**"). CLC Management is directly and wholly-owned by HSBC International Trustee Limited as the trustee of a discretionary trust established on 9 July 2013 by the late Mr. Chang Chih Lung as the settlor for the benefit of Mr. Chang Yoe Chong Felix and his issue (the "**CLC Family Trust**"). Accordingly, the late Mr. Chang Chih Lung ceased to be interest in the Shares 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.

Report of the Directors

(2) These Shares are beneficially owned by Mr. Chang Yoe Chong Felix.

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

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

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

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

(7) Based on a total of 655,652,000 issued Shares as at 31 December 2023.

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%

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

Notes:

(1) Evergreen Holdings, a direct wholly-owned subsidiary of Golden Evergreen, holds approximately 52.37% 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.

Report of the Directors

(3) Each of FC Management and CLC Management is directly and wholly-owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. The CLC Family Trust is a discretionary trust established by the late Mr. Chang Chih Lung (who passed away in March 2023) (the father of Mr. Chang Yoe Chong Felix as the settlor, with Mr. Chang Yoe Chong Felix and his issue being the beneficiaries. The Felix Family Trust is a discretionary trust established by Mr. Chang Yoe Chong Felix as the settlor, with the late Mr. Chang Chih Lung, Mr. Chang Ka Wai Aidan (the son of Mr. Chang Yoe Chong Felix and a minor) and Mr. Chang Yoe Chong Felix's issues being the beneficiaries. Accordingly, Mr. Chang Yoe Chong Felix is deemed to be interested in the above associated corporations of the Company under the SFO.

(4) Evergreen Housekeepers Training Center Limited is 100% owned by Sunleaf Holdings Limited, which is 70% owned by Eastern Earnings (China) Company Limited. Eastern Earnings (China) Company Limited is 51% owned by FC Investment, which is 100% held by FC Management. Accordingly, Mr. Chang Yoe Chong Felix is deemed to be interested in the above associated corporations of the Company under the SFO.

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

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2023, none of the Directors or the chief executives of the Company had any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

So far as the Directors are aware, as at 31 December 2023, 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:

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	343,369,803 (Long position)	52.37%
Golden Evergreen[1]	Interest of controlled corporation	343,369,803 (Long position)	52.37%
FC Investment[1]	Interest of controlled corporation	343,369,803 (Long position)	52.37%

Name of shareholder	Capacity/nature of interest	Number of Shares	Approximately percentage of issued share capital of the Company[4]
FC Management[1]	Interest of controlled corporation	343,369,803 (Long position)	52.37%
CLC Investment[1]	Interest of controlled corporation	343,369,803 (Long position)	52.37%
CLC Management[1]	Interest of controlled corporation	343,369,803 (Long position)	52.37%
HSBC International Trustee Limited[1]	Trustee of a trust	343,369,803 (Long position)	52.37%
Ms. Wong Hor Yan[2]	Interest of spouse	356,159,803 (Long position)	54.32%
SEAVI Advent Investments Ltd. (the "**SEAVI Advent**")[3]	Beneficial owner	76,132,196 (Long position)	11.61%
SEAVI Advent Equity V (A) Ltd.	Interest of controlled corporation	76,132,196 (Long position)	11.61%
Precision Global Capital Management LLC	Beneficial owner	56,464,000 (Long position)	8.61%

Notes:

(1) Evergreen Holdings is a direct wholly-owned subsidiary of Golden Evergreen. 49% and 51% of issued share capital of Golden Evergreen are owned by FC Investment (a direct wholly-owned subsidiary of FC Management) and CLC Investment (a direct wholly-owned subsidiary of CLC Management), respectively. Each of FC Management and CLC Management is directly and wholly-owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. The late Mr. Chang Chih Lung ceased to be interested in the CLC Family Trust and the Felix Family Trust on 20 November 2023. Accordingly, each of Golden Evergreen, FC Investment, FC Management, CLC Investment, CLC Management, HSBC International Trustee Limited and the late Mr. Chang Chih Lung is deemed to be interested in the Shares held by Evergreen Holdings under the SFO.

(2) Ms. Wong Hor Yan is the spouse of Mr. Chang Yoe Chong Felix, and is deemed to be interested in the Shares which are interested by Mr. Chang Yoe Chong Felix under the SFO.

(3) SEAVI Advent is wholly-owned by SEAVI Advent Equity V (A) Ltd and is deemed to be interested in the Shares held by SEAVI Advent under SFO.

(4) Based on a total of 655,652,000 issued Shares as at 31 December 2023.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2023, the Directors have not been notified by any person who had interests or short position in Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in note 34 headed "Related Party Transactions" to the Consolidated Financial Statements, at no time during the Year had the Company or any of its subsidiaries, and any of the controlling shareholders (as defined in the Listing Rules) of the Company or any of their subsidiaries (as the case may be) entered into any contract of significance or any contract of significance for the provision of services by any such controlling shareholders or their subsidiaries (as the case may be) to the Company or any of its subsidiaries.

CONTINUING CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 34 headed "Related Party Transactions" to the Consolidated Financial Statements for the Year constitute de minimis continuing connected transactions of the Company and are fully exempted from the reporting, annual reviews, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Therefore, the Independent Auditor has not been engaged to report on such transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) – "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*". No letter is prepared by the Independent Auditor with reference to Practice Note 740 – "*Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business of the Group during the Year are provided under note 34 to the Consolidated Financial Statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by businesses and geographical areas of the operations for the Year is set out in note 6 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 16 to the Consolidated Financial Statements.

SHARES ISSUED IN THE YEAR

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

DISTRIBUTABLE RESERVES

As at 31 December 2023, the Company had reserves available for distribution to the Shareholders of approximately HK$234.4 million.

SUFFICIENCY OF PUBLIC FLOAT

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

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

During the year, the Group repurchased an aggregate of 30,430,000 ordinary shares for a total consideration of approximately HK$19.7 million on the Stock Exchange. The repurchased shares will subsequently be cancelled. Details of the shares repurchased are as follows:

Month of repurchase	Number of ordinary shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid
		HK$	*HK$*	*HK$ in million*
September 2023	15,870,000	0.65	0.63	10.3
October 2023	14,560,000	0.65	0.64	9.4
	30,430,000			19.7

Save as disclosed above, the Group did not purchase, sell or redeem any of the Company's listed securities during the year ended 31 December 2023.

PRE-EMPTIVE RIGHTS

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

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult an expert.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2023 are set out in note 27 to the Consolidated Financial Statements.

KEY PERFORMANCE INDICATORS ("KPI")

(I) GROSS PROFIT MARGIN

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

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

- Quantified KPI data: The gross profit margin was approximately 23.8% for the Year (2022: approximately 23.4%).

(II) NET MARGIN

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

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

- Quantified KPI data: The net margin was approximately 4.9% for the Year (2022: net margin was approximately 5.3%). The increase in net margin was primarily attributable to: drop in sale and switch from less sales of human hair extension products with high margin to more sales of braid products with low margin due to the weakness of the consumer purchasing power and the de-stocking pressure by customers during the Year when compared to the year ended 31 December 2022 as a result of the unpredictable market conditions during the Year.

(III) GEARING RATIO AND NET GEARING RATIO

- Definition and calculation: Gearing ratio is derived by dividing total interest-bearing debt (including secured bank and other borrowings, bank overdrafts, lease liabilities and any preferred Shares) by total equity as at the end of a given year. Net gearing ratio of the Group is equivalent to total interest-bearing debt (including secured bank and other borrowings, bank overdrafts, lease liabilities and any preferred Shares) net of total cash and bank balances divided by total equity as at the end of a given year.

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

- Quantified KPI data: The Group's gearing ratio was approximately 72.8% (2022: 61.9%) and net gearing ratio was approximately 51.1% (2022: 42.7%) for the Year. The increase in gearing ratio was primarily due to an increase in the bank and other borrowings for the Year while the increase in net gearing ratio was primarily due to an increase in the bank and other borrowings as at 31 December 2023.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling approximately HK$0.5 million (2022: HK$0.3 million).

MAJOR CUSTOMERS AND SUPPLIERS

The revenue attributable to the Group's five largest customers and the largest customer accounted for 72.0% and 38.3%, respectively, of the Group's total revenue for the Year.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 66.9% and 50.8%, respectively, of the Group's total purchases for the Year.

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

RELATIONSHIPS WITH THE GROUP'S EMPLOYEES

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

RELATIONSHIPS WITH THE GROUP'S CUSTOMERS AND SUPPLIERS

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

IMPORTANT EVENTS AFTER THE END OF THE YEAR

There were no events after the reporting period that had significant impacts on the Group after 31 December 2023 and up to the date of this report.

CORPORATE GOVERNANCE

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

EQUITY-LINK AGREEMENT

For the Year, the Company has not entered into any equity-link agreement, save for options that can be granted under the Share Option Scheme. As at 31 December 2023, no option had been granted under the Share Option Scheme.

REVIEW BY AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Sin Hendrick *M.H.* (chairperson), Mr. Szeto Yuk Ting and Ir. Cheung Siu Wa. The Audit Committee has reviewed with the management of the Company the audited Consolidated Financial Statements for the Year.

INDEPENDENT AUDITOR

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

On Behalf of the Board

Chang Yoe Chong Felix
Chairman and Chief Executive Officer

Hong Kong, 22 March 2024

Environmental, Social and Governance Report

ABOUT THE REPORT

REPORT OVERVIEW

This is the Environmental, Social, and Governance report (the "**Report**") published by Evergreen Products Group Limited (the "**Evergreen**" or "**We**", and together with its subsidiaries, the "**Group**") to disclosure relevant information of the Group from 1 January 2023 to 31 December 2023 (the "**Reporting Period**", "**FY2023**", or "**2023**"). This Report is available on the websites of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Company.

REPORTING BOUNDARY

This Report covers the environmental and social performances of principal operations in the manufacturing, distribution, and retail business of hair products, which include:

(1) the Group's head office in Hong Kong;

(2) the trading business and relevant services (collectively, the "**Trading Business**") of hair products, in the United States; and

(3) the manufacturing business of hair products and relevant services (the "**Manufacturing Business**") in the PRC and Bangladesh.

REPORTING PERIOD

This Report describes the ESG activities, challenges and measures taken by the Group during the period from 1 January 2023 to 31 December 2023 (the "**Reporting Period**", "**FY2023**").

ACCESS OF THIS REPORT

This ESG Report is available in both printed and online versions. The online version is available on the Stock Exchange's website (www.hkexnews.hk) and the Company's website (www.epfhk.com).

This Report is published in both English and Chinese versions. Should there be any discrepancies between the two versions, the English version shall prevail.

REPORTING FRAMEWORK

This Report has been prepared in accordance with the mandatory disclosure requirements and "comply or explain" provisions of the ESG Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Please refer to the Stock Exchange Content Index in this Report for information on the location of specific disclosures.

REPORTING PRINCIPLES

In the process of preparation of this Report, the Group has adhered to the reporting principles stipulated in the ESG Reporting Guide as the following:

Materiality A materiality assessment was conducted to identify material issues during the Reporting Period, thereby acknowledging the material issues as the focus for preparation of this ESG Report. Please refer to the sections headed "Stakeholder Engagement" and "Materiality Assessment" for further details.

Quantitative Supplementary notes are added along with quantitative data disclosed in this ESG report to explain any standards, methodologies, and sources of conversion factors used during the calculation of emissions and energy consumption.

Consistency The preparation approach of this ESG Report is substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure or calculation methodologies.

Balance This ESG Report is completed based on fact and actual data disclosure to avoid biased judgement and misleading information to the report readers.

FORWARD-LOOKING STATEMENT

This ESG Report contains forward-looking statements which are based on the current expectations, estimations, projections, beliefs, and assumptions of the Group about the businesses and the markets in which it operates. These forward-looking statements are not guarantees of future performance and are subject to market risks, uncertainties, and factors beyond the control of the Group. Therefore, actual outcomes may differ from the assumptions made and the statements contained in this ESG report.

CONFIRMATION AND APPROVAL

This ESG Report was endorsed by the ESG Working Group the and approved by the board of directors (the "**Board**") of the Group.

CONTACT AND FEEDBACK

Should you have any enquiry on this ESG Report, please kindly contact us by email at info2@epfhk.com.

Environmental, Social and Governance Report

BOARD STATEMENT AND ESG GOVERNANCE STRUCTURE

BOARD STATEMENT

The Board has oversight and ultimate accountability for the sustainability strategy of the Group, as well as its management, performance and reporting. The Board communicates its top-level commitment across the organization, endorses the governance framework, and defines a clear agenda for the path to sustainability. Furthermore, it clearly stipulates the Group's sustainability objectives, strategies, priorities and initiatives. It periodically assesses its targets, and progress, as well as the corresponding policies that support their achievement. Moreover, the Board strengthens transparency each year via supervision of the annual sustainability reporting.

The Board

- Develop ESG goals in short, medium, and long-term.
- Identify risks and opportunities and implement its business strategy for goal achievement.
- Develop environmental protection and social sustainability strategies.
- Ensure the development and effectiveness of the Group's ESG policies and measures.

ESG Working Group

- Formulated a designated team within each business unit for ESG issues, responsible for daily operation, monitoring, evaluating, and reporting to the Board.
- Identify risks and opportunities in relation to ESG issues within each business unit.
- Liaise with different business units regarding material ESG issues.

ESTABLISHMENT OF ESG WORKING GROUP

The Group has established an ESG Working Group, composed of core members from different business units, to manage ESG issues. This ESG Working Group is responsible for collecting relevant information from our ESG aspects to prepare the ESG Report. It reports to the Board and assists in identifying and evaluating the Group's ESG risks, as well as assessing the effectiveness of internal control mechanisms.

The ESG Working Group also examines and evaluates our performances in different ESG-related goals and targets such as environment, health and safety, labour standards and product responsibilities. Aligned with direction set by the Board, the ESG Working Group ensures the execution of various ESG-related strategies and policies.

STAKEHOLDER ENGAGEMENT

The Group recognises the significance of effective stakeholder engagement and collaboration. As the operations involve a variety of stakeholder groups, their inputs are instrumental in allowing the Group to respond promptly to sustainability challenges and opportunities. The feedback from stakeholders of different backgrounds also helps the Group understand the ever-changing market demands and global sustainability trends. This, in turn, allows the Group to make informed decisions regarding its sustainability practices, initiatives, and disclosures.

The Group has multiple feedback and communication channels to understand the views of key stakeholders who have a significant impact on or have a close relationship with the Group's business. The following are the communication channels established between the Group and stakeholders, as well as stakeholders' main concerns.

Stakeholders	Expectations and Concerns	Communication Channels
Government and Regulatory Authorities	• Compliance with laws and regulations • Pay taxes according to law • Implement relevant regulatory policies	• Policy guidance • Supervision of compliance • Routing reports and taxes paid
Suppliers/ Business Partners	• Fair and open procurement • Win-win cooperation	• Open tendering • Purchase reviews • Business exchange and cooperation • Supplier screening and rating • Face-to-face meetings and onsite visits
Customers	• High quality products and services • Protect the rights of customers	• Product promotion • Sales reviews • Customer service hotline and email
Shareholders	• Sound risk management • Good disclosure • The ability to continuously create value • Return on investment	• Regular meetings • Regular reports and announcements • Routing communication • Official website
General publics (i.e., media, NGO, local communities)	• Involvement in communities • Business compliance • Environmental protection awareness	• Actively carry out various charitable • Media conferences and responses to enquiries • Investment on communities • Public welfare management
Employees	• Health and safety in the working places • Employees compensation and benefits • Fair career development opportunity	• Regular meetings and training • Emails, notice boards, hotline, caring activities with management

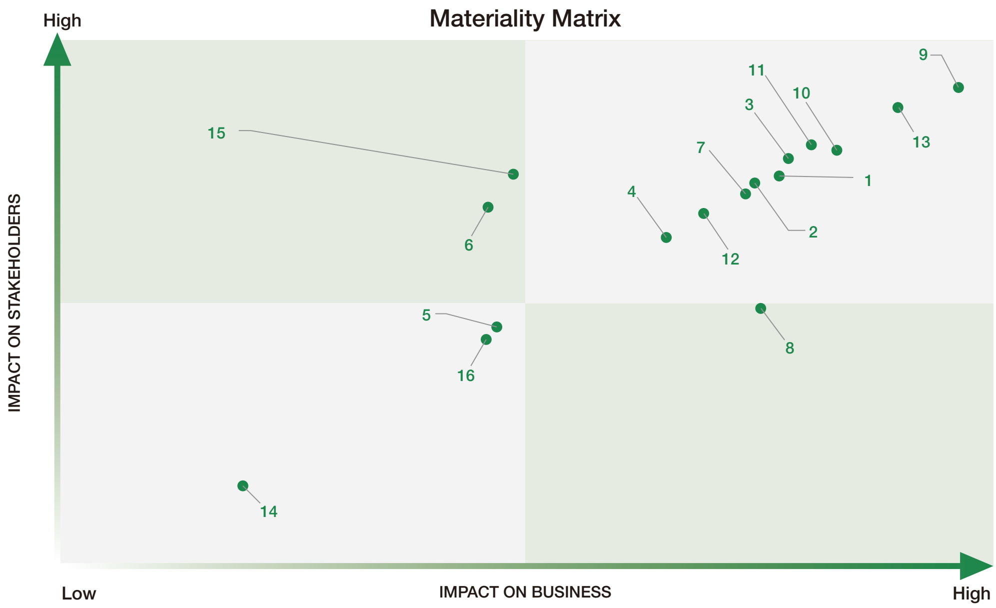
Environmental, Social and Governance Report

MATERIALITY ASSESSMENT

In FY2023, the Group conducted a materiality assessment survey by inviting key stakeholders to participate. Material ESG issues are determined by the contribution of internal and external stakeholders. The Group's management selected and invited key stakeholders influence and dependence on the Group to provide feedback on a list of material ESG issues.

Through the materiality assessment survey, the Group has a better understanding of the significance of impacts of each material ESG issue on stakeholders and on the business, allowing the Group to gain a better understanding of its key issues and to identify risks and opportunities.

The matrix below shows the prioritization of material ESG issues of the group ranking it by its relative importance.



1. Waste Management
2. Gas Emission Management
3. Water Resource Conservation and Wastewater Treatment
4. Resource Usage Management
5. Utilization of Environmentally-Friendly Materials
6. Climate Change Risk
7. Employment Practices
8. Employees' Rights and Benefits
9. Employees' Health and Safety
10. Prohibition of Child Labor and Forced Labour
11. Sustainable Procurement and Supply Chain Management
12. Technological Advancement
13. Product and Service Quality
14. Advertising and Labeling
15. Anti-Corruption
16. Social Welfare and Charity

The Group reviewed the materiality assessment results and considered that the said result is applicable to the Group. The Group will continuously monitor its business operations and its ESG performances.

A. ENVIRONMENTAL

The Group understands the importance of protecting the environment and has established business strategies environmental consciousness. In FY2021, the Group has set 3 major goals for reducing carbon footprint, which include 5% reduction GHG emissions, 5% reduction in energy consumption and 10% reduction in water consumption by 2031 and has integrated these ESG goals into strategic management.

GHG Emissions	Energy Consumption	Water Consumption
↓ 5%	↓ 5%	↓ 10%

The Hong Kong SAR Government announced the Climate Action Plan 2050 with decarbonization strategies covering "Net-zero electricity generation", "Energy Saving and Green Buildings", "Green Transport" and "Waste Reduction" for reaching carbon neutral before 2050. The Group has taken responsive measures to contribute to a zero-carbon economy in the focused areas recommend by the Hong Kong SAR Government.

A1. EMISSIONS

According to the Paris Agreement of limiting the average global temperature increase to 1.5°C compared to the pre-industrial period, the Group continues to reflect on how energy is used for its operations. It emissions reduction, and as well as efficient and responsible use of energy, to be the prerequisites for achieving this global ambition.

The Group strictly complies with the related environmental protection laws and regulations. During 2023, the Group was not aware of any non-compliance with relevant laws and regulations that might have a significant impact on the Group relating to exhaust gas and greenhouse gas emissions ("**GHG emissions**"), discharges into water and land, and generation of hazardous and non-hazardous waste.

Air Emissions

Vehicular fuel consumption is a major source of the Group's air pollution. The exhaust gas generated by the Group includes nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and particulate matters ("**PM**"). To mitigate air emissions, the Group has well-established practices in place for improving air quality:

- Reduce in-person meetings by advocating the utilisation of electronic online meetings.
- Take public transport during business trips under normal circumstances.
- Conduct regular vehicle inspections and maintenance to enhance vehicle efficiency.
- Phase-out substandard vehicles and consider electric vehicles in future purchase.
- Switch off the engine when idles.

Environmental, Social and Governance Report

During the Reporting Period, the Group's exhaust gas emissions performance was as below:

Indicators	Unit	FY2023	FY2022
Type of Air Emissions			
– SOx	kg	**5.09**	6.72
– NOx	kg	**3,120**	1,104
– PM	kg	**307.08**	108.29

GHG Emissions

The major sources of the Group's GHG emissions are direct GHG emissions (Scope 1) from petrol and diesel consumption of company-owned vehicles and machinery used at the operation sites and indirect GHG emissions (Scope 2) from electricity at the office.

In 2023, the Group's GHG emissions performance was as follows:

Indicators	Unit	FY2023	FY2022
GHG Emissions[1]			
Scope 1 Direct emissions			
– Petrol	Tonne CO_2e	**3,296**	4,319
– Diesel			
– Coal			
Scope 2 Energy indirect emissions			
– Purchased electricity	Tonne CO_2e	**15,213**	13,268
Scope 3 Other indirect emissions[3]	Tonne CO_2e	**723**	300
GHG Removal (Scope 1)	Tonne CO_2e	**(1.91)**	(1.91)
Total GHG emissions	Tonne CO_2e	**19,230.09**	17,886.10
Intensity[2]	Tonne CO_2e/employee	**0.75**	0.70

Notes:

1. GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, the latest released emission factors of China's regional power grid basis and the "CLP 2022 Sustainability Report" published by CLP Holdings Ltd, the latest released emission factors of EDF.

2. As of 31 December 2023, the Group had a total of 25,611 employees (2022: 25,464 employees). The data is also used for calculating other intensity data.

3. Scope 3 GHG emissions comprises emissions from paper waste disposed at landfills, energy used for processing fresh water and sewage.

The measures taken for reducing GHG emissions from vehicles (Scope 1) were described under the above section headed "Air Emissions".

The consumption of electricity is accounted as the major source of indirect energy and indirect GHG emissions (Scope 2). Proactive measures have been taken through energy-saving scheme and improving energy efficiency:

- The concept of green office is introduced and started with the use of LED light bulbs. Energy saving working culture is promoted to encourage employees to reduce electricity consumption such as turning-off light once they leave the room.

- Temperature control for air-conditioner is set at the range from 24–26°C to reduce electricity consumption.

- Employees are encouraged to use public transport to minimize unnecessary use of private transport.

With the common goal of carbon neutrality, fossil fuels are believed to be phased out due to stricter government regulation. The Group is planning for transitional business plan shifting from the use of fossil fuels to renewable energy such as solar panel to reduce GHG emissions.

During the Reporting Period, a large-scale planting scheme had been launched in our Group's factories located at Kunming, Yunnan Province of PRC. Around 167 trees were planted to enhance the value of the natural environment and improve air quality. Out of these, 82 trees were over 5 meters in height and qualified for Scope 1 GHG removal. We are one of the few local businesses that have taken this measure to reduce our carbon footprint.

The Group would continuously work on various measures to reduce air and GHG emissions in the future with the integration of decarbonisation strategies.

Waste Management

The Group's waste management system emphasizes handling, controlling, and disposing of waste materials in a responsible manner. The waste management system is guided by several key principles, including: reducing waste at its source, replacing materials with more sustainable alternatives, reusing wherever possible, and recycling its waste when all other options have been exhausted. The Group seeks to redesign its products, systems, and services to deploy resources in ways that are more durable, reusable, repairable, and recyclable. The Group ensures that its employees embrace the challenge of circularity, focus on transforming waste of today into productive inputs for tomorrow.

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Non-hazardous Waste

The Group's non-hazardous waste includes waste packaging materials and fabrics, which are collected and stored at designated areas onsite and handled by local sanitary stations, or waste handling companies under the signed agreement. Waste management guidelines were devised to enable sound waste and effluent management. The Group also collaborates with external parties to improve its materials management, including the engagement of licensed contractors to manage the disposal of waste.

The Group strives to minimize the amount of non-hazardous waste with the integration of "4R Concept of Sustainability-Reduce, Replace, Reuse and Recycle".

Reduce Reducing waste at the source

Replace Replacing materials with sustainable alternatives

Reuse Reusing wherever possible

Recycle Recycling when there is no other option or replacement

Hazardous Waste

Hazardous wastes, if disposed inappropriately in sewage systems or landfills, may contaminate ground and surface water, ruining drinking water sources and destroying wildlife.

The Group treats its hazardous waste, mainly hazardous wastewater, sludge generated from the onsite wastewater treatment facility ("**WWTF**"), used chemical containers, and used oil, with great caution. Most of the hazardous wastes are temporarily stored in a specified location, and then collected by licensed contractors.

Indicators	Units	FY2023	FY2022
Hazardous waste	Tonnes	**0.00**	0.00
Intensity[2]	Tonnes/employee	**<0.01**	<0.01
Non-hazardous waste	Tonnes	**10.26**	10.22
Intensity[2]	Tonnes/employee	**<0.01**	<0.01

Wastewater Discharge

The production processes generate both hazardous wastewater and non-hazardous wastewater.

Hazardous wastewater from production process, which is collected and stored at the designated area, will be handled by licensed hazardous waste collectors.

Non-hazardous wastewater is generated from the manufacturing process and domestic wastewater from sanitary purpose. For Industrial wastewater from manufacturing process, which is treated onsite by the WWTF owned by the production plants followed with recycling purpose. For domestic wastewater from day-to-day sanitary use, it is discharged directly into the municipal drainage system.

Indicators	Units	FY2023	FY2022
Non-hazardous wastewater discharge	m^3	**286,512**	265,071
Intensity[2]	m^3/per employee	**11.19**	10.41
Hazardous wastewater discharge	m^3	**3.2**	5.26*
Intensity[2]	m^3/per employee	**11.19**	10.41*

Note:

* The data has been restated due to an updated calculation model.

The Group has taken below measures to manage the wastewater discharged, including:

- Establishing sewage treatment monitoring process under which water quality is inspected to ensure compliance with the national standard;
- Reusing shampoo and controlling the usage of fresh water to reduce the amount of wastewater generated; and
- Recycling treated wastewater for other purposes such as plants watering, floor cleaning, landscaping and toilet flushing.

"4R" Water Recycling

In 2021, the Chinese Government announced a plan for industrial wastewater recycling. The plan included specific targets for industrial water recycling rates, with a main target of the plan to achieve a recycling rate of 94% by 2025. To comply with relevant regulation, the Group has formulated Water Treatment Scheme to reduce wastewater discharge through applying "4R concept of Sustainability" to Reduce, Reuse, Recycle and Repurpose wastewater.

REDUCE: To reduce all wastewater from dyeing process through the Group's "Water Treatment Scheme".

REUSE: To reuse the wastewater for other purpose after the purification process.

RECYCLE: To recycle all wastewater from the dyeing process is recycled by dosing chemicals and carbon ore to the untreated effluent for removing the impurities in water.

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REPURPOSE: Use recycled water can be used for landscaping, cleaning and sanitary to minimize freshwater consumption.

The Group aims to reduce waste disposal and freshwater consumption by recycling wastewater from all dyeing processes through these water treatment programs and reusing the recycled water for other purposes. Water consumption is expected to be reduced by 10% by 2031.

A2. USE OF RESOURCES

The Chinese Government the National Energy Conservation Law with the objective reduce energy consumption across all sectors by promoting energy efficiency, with an emphasis on economic and social development as well as positive economic value of energy efficiency. While Bangladesh Government has enacted the First National Energy Policy aim at ensuring proper exploration, production, distribution and rational use of energy resources to the growing demands of different zones, sectors and groups. In response to the energy conservation regulations, the Group implemented “Energy Saving Measures” to reduce energy consumption. The Group believes this does not only reduce carbon footprint but also bring positive financial and culture impacts on the Group in the long-term.

Energy Management

Recognising energy consumption as the Group’s major source of GHG emissions, the Group actively identifies areas to systematically manage and optimise energy use. Electricity consumed in the office is the major type of energy use in the operations. The Group closely monitors its energy use to ensure it minimizes energy consumption. The Group’s Hong Kong office participates in various energy saving schemes organized by NGOs, such as the “Earth Hour” organised by WWF and “No Air Con Night” organised by Green Senses.

Electricity

Electricity consumption of the Group is mainly from the operations of the offices and plants. The Group aims to enhance electricity efficiency and promote environmental conservation culture at workplace by adopting the following the energy-saving measures:

- Replacing traditional lightings with LED lightings.
- Replacing obsolete equipment with energy-saving or variable frequency equipment.
- Turning lights, computers, and air conditioning system off if they are not in use.
- Defaulting temperatures of air conditioners by season at optimum level.

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Coal

Coal was used as major source of energy in boilers. To ensure efficient use of energy, the Group has measures to reduce coal and enhance the use of cleaner energy for the boilers' operations. In the long run, the Group will source other renewable energy to replace the use of fossil fuels such as coal.

Petrol and Diesel

The major source of petrol consumption is vehicles, while diesel is consumed by both company's vehicles and manufacturing operation such as back-up generators. The Group strives to minimise energy consumption through promoting green culture, employees are encouraged to take public transport, conduct virtual meetings and source locally instead of using transports and vehicles to avoid unnecessary energy usage.

The Group's energy consumption is as follows:

Indicators	Units	FY2023	FY2022
Total Direct Energy Consumption	MWh	**14,375**	16,157
– Diesel	MWh	**5,377**	4,366
– Petrol	MWh	**78**	100
– Coal	MWh	**8,922**	11,691
Total Indirect Energy Consumption	MWh	**26,734**	26,113
– Purchased electricity	MWh	**26,734**	26,113
Total Energy Consumption	MWh	**41,111**	42,270
– Intensity[2]	MWh/employee	**1.61**	1.66

Water Management

The Group's major water consumption during FY2023 is attributed to production processes and sanitary purposes.

Indicators	Units	FY2023	FY2022
Water Consumption	m^3	**331,414**	596,329
– Intensity[2]	m^3/employee	**13**	23

To enhance the mindset of water conservation, the Group has carried out a variety of effective water saving measures such as:

- Regular inspection and maintenance of water consumption facilities to prevent any water leakage.
- Displaying water conservation slogans and posters to remind employees' awareness of water conservation.

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- Using water-saving and flow-controlling faucet to reduce water output.
- Recycling of wastewater for other usages including cleaning, landscaping, and sanitary purposes.

During the Reporting Period, there was no issue in sourcing water for its operations as its business operation regions have no water-stress issue.

Packing Materials and Raw Materials

The main packaging materials used by the Group include cardboards, carton boxes and self-manufactured polyethylene film bags. The raw materials used by the Group are mainly hair, fibers and plastic. Paper products are the dominant type of packaging materials of the Group. In the future, the Group will endeavour to use environmental-friendly raw materials to minimise the impacts to the nature.

Indicators	Units	FY2023	FY2022
Packaging Materials			
– Paper products	Tonnes	**4,992**	2,757
Production Raw Materials			
– Fibre	Tonnes	**5.656**	4,416
– Hair	Tonnes	**42**	16
– Plastic	Tonnes	**788**	477
Total	Tonnes	**6,387**	7,666

A3. THE ENVIRONMENT AND NATURAL RESOURCES

As a corporate citizen, the Group is committed to protecting the planet and community. To fulfil the environment regulation under the Environmental Impact Assessment (EIA) Law of the PRC, the Group conducted environmental impact assessments (EIA) and obtained environmental certificate for the construction projects of the Group's manufacturing factories in Mainland China. Apart from business growth, the Group is concerned about environmental protection with the aim to prevent biodiversity degradation and minimize harm to the surrounding environment caused by the Group's business activities.

During the reporting period, our Group initiated a large-scale planting scheme in our factories located in Kunming, Yunnan Province, PRC. Approximately 167 trees were planted to enhance the value of the natural environment and improve air quality. Out of these, 82 trees exceeded a height of 5 meters and contributed to GHG removal by assimilating carbon dioxide into biomass through tree planting. This helps in carbon dioxide absorption. By implementing the planting scheme and creating green zones, we are conserving diverse biodiversity and maintaining a balanced ecosystem. The Group's sustainable business strategy focuses on business growth while simultaneously taking measures to preserve the natural environment and resources.

A4. CLIMATE CHANGE

Climate Crisis

Extreme weather conditions are increasingly frequent. Their devastating effects are increasingly impacting people worldwide. The complexity and interrelatedness of the modern world imply that climate disasters do not only result in consequences for isolated parts or regions but they affect all lives on earth. These drastic climate impacts entail urgent actions on decarbonisation.

In view of the climate challenge, the Group is actively seeking opportunities to reduce its overall environmental footprint. Through well-designed operational standards, the Group strives to ensure that, wherever possible, its operations do not adversely affect the environment or natural resources. The focus areas include waste reduction, energy saving and water conservation. Moving forward, the Group will adopt circular approaches to production and consumption, creating more with less by reducing waste at source and applying innovative technologies.

Climate risks	Potential impacts	Mitigation Strategy
Transitional Risks	***Legal and Compliance*** • Stricter environmental policies and heavier fines imposed by the government and regulatory authorities are expected. • Higher protection standard leads to higher cost in environmental aspect such as environmental assessments are required such as the Law of the PRC on Evaluation of Environmental Effects in China and Bangladesh Environmental Conservation Act, 1995.	• Issued Environmental Impact Assessment (EIA) for the construction of manufacturing factories in Mainland China and obtained the Environmental Clearance Certificate (ECC) from the Department of Environment at Bangladesh to meet the regulatory requirement. • Regular license renewal to ensure the factories meet the pollution ordinance in corresponding jurisdictions and to avoid legal liabilities and disruption of operation. • Set ESG goals regarding reduction in GHG Emissions by FY2031 with FY2021 as base year for comparison.
	Technology • Fossil fuels is expected to be phased out in the future under strict environmental regulation. • Sourcing alternative energy source is important as the Group's operation relies heavily on fossil fuel consumption in manufacturing and vehicle usage.	• Work on the transitional plan of business model with the shift from fossil fuel to renewable energy such as solar panel. • The marginal cost of using renewable energy will be lower in long term and bring positive impact on the Group's cost of goods and service.

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Climate risks	Potential impacts	Mitigation Strategy
	Market and Reputation • Consumer preference is expected to change as the public is more concerned about well-beings and the environment is closely related to personal health issues.	• The plan of introducing renewable energy is believed to gain merit on the Group's reputation, which would attract more potential customers and future business.
Physical Risks	***Acute Risks*** • Bangladesh is a low-lying, riparian country with a large, marshy jungle coastline. • Bangladesh has a subtropical monsoon climate and is subject to seasonal rainfall, floods, tropical cyclones, tornadoes, and tidal bores every year. • Climate change would incur more frequent precipitation events and higher chance of flooding leading to disruption of communication systems, traffic interruption, operation of factories and cause depreciation of machines.	• Set insurance coverage to minimise financial loss caused by climate-related accidents. • Implemented contingency plan to report emergency and offer guidance for evacuation drills to protect employees' safety.
	Chronic Risks • Sustained increase in temperature and rise in sea level	• Keep identifying the risks caused by and will formulate related policy to minimise the impact on the Group's business.

B. SOCIAL

B1. EMPLOYMENT PRACTICES

Human capital is the Group's most valuable asset and core competitive advantage. It serves as the basis for the sustainable development of the Group. Therefore, the Group is committed to refining its employment policies to attract, develop and retain talents. The Group adheres to a people-oriented principle, respects and protects all employee's legitimate rights and interests and articulates policies to safeguard employees' occupational health and safety.

The HR department has established the policies and procedures for human resources and payroll management, the employment process, employment terms and conditions in detail. During 2023, the Group was not aware of any non-compliance with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. The breakdown of employee profile of the Group is as follows:

As of 31 December 2023, the Group's breakdown of employee profile was as below:

	FY2023	FY2022
Total number of employees	**25,611**	25,464
By Gender		
Male	**6,804**	7,103
Female	**18,807**	18,361
By Age Group		
18–25	**9,851**	9,606
26–35	**12,307**	12,351
36–45	**3,181**	3,299
46–55	**219**	175
56 or above	**53**	33
By Geographic Area		
Mainland China	**179**	203
Hong Kong	**54**	55
Bangladesh	**25,371**	25,199
the United States	**7**	7
By Employment Type		
Full-time	**25,609**	25,464
Part-time	**2**	0

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The table below shows the employee turnover rate categorized by gender, age group and geographical region:

Employee Turnover rate (%)	FY2023	FY2022
Overall	**59%**	55%
By Gender		
Male	**78%**	38%
Female	**53%**	62%
By Age group		
18–25	**75%**	89%
26–35	**50%**	36%
36–45	**49%**	29%
46–55	**20%**	30%
56 or above	**6%**	12%
By Geographic Area		
Mainland China	**0%**	14%
Hong Kong	**4%**	6%
Bangladesh	**60%**	56%
the United States	**57%**	0%

Recruitment and Promotion

The Group provides its employees with sustainable career development to retain talents. Promotions of employees are review annually. We have established objective performance indicators for annual performance evaluation, which is conducted in July and December every year. The performance evaluation process consists of self-assessment and assessment by the immediate supervisor. Its purpose is to facilitate communication between employees and the Group, as well as to review and assess various aspects such as employment confirmation, promotion, rewards, transferal, job rotation, training, and personal development opportunities for employees.

Employees are regularly appraised their work performance and capabilities to make progress and enhance team competitiveness, which sets the basis for their future promotion and training. We also encourage internal promotion to offer extra opportunities for employees to develop their full potential.

Working Hours and Rest Periods

The Group has established the Staff Attendance Systems as guidance for determining working hours and rest periods, such as lunch break, for employees. Work-life balance and healthy lifestyle are encouraged by the Group, employees' rights and interests are protected by internal policy ensure staff are provided with basic paid leave and statutory holidays stipulated by the local employment laws and regulations. Employees enjoy different leave entitlements, including but not limited to annual leave, marriage leave, sick leave, maternity leave, and compassionate leave.

Anti-Discrimination, Equal Opportunity, and Diversity

Studies have suggested that companies with a greater gender mix and ethnic diversity consistently outperform. The Group recognises the strength of incorporating diverse perspectives, experiences, and ideas. A diverse and inclusive working environment raises employee engagement, which is instrumental to the growth of the organization. The Group aims to build an inclusive team which reflects the diversity of the Group's customer base.

The Group respects individuals of different culture and background. As stipulated in the Employee Handbook, the Group has zero tolerance towards discrimination based on race, colour, national or social origin, religion, age, disability, sexual orientation, gender, or any other status. All decisions in talent management, including recruitments, promotions, appraisals and dismissals are based on the same equality principle. The Group aims to nurture a harmonious workplace culture through strengthening communication and eliminating discrimination.

Labour Benefits and Welfare

Equitable remuneration and benefits contribute to employee satisfaction, team morale and overall performance. The Group offers an extensive and competitive package of remuneration and benefits, and it reviews its package in a timely manner in response to market changes. Competitive benefits are offered to our employees. Benefit scheme is formulated according to local laws and regulations in the operating jurisdictions, including various leave entitlements as described in the above section. Employee dormitories are provided to employees to minimize traveling time to work and optimize resting period.

Compensation and Dismissal

The Group possesses a valid insurance policy to cover the liabilities under the Employees' Compensation Ordinance for the work injuries for employees. Our employees are covered by work compensation insurance and should notify supervisors and HR Department immediately if work injury happens.

Employees' rights are protected by the Group with reference to the relevant regulations. The Group strictly prohibits unfair or unreasonable dismissals. Employment contract will be terminated only when the employees fail to meet the assessments. Feedback will be collected from Employee Exit Surveys.

Environmental, Social and Governance Report

B2. HEALTH AND SAFETY

The Group aims to provide a safe and healthy working environment to our employees. To improve the working conditions, the Group sets up lists of policies complying with the relevant occupational health and safety regulations in corresponding jurisdictions, including but not limited to Occupational Disease Prevention Law of the PRC, the Production Safety Regulations of Guangdong Province, and the Bangladesh Labour (Amendment) Act.

Occupational Health and Safety

Health and Safety Committee organises meetings regularly to discuss material health and safety issues and updates the related procedures to ensure a safe working environment:

- Employees are provided with occupational health and safety training.
- All employees are required to attend fire-fighting training when they get onboard with the Group.
- Refresher trainings are provided to employees working at factories twice a year, training content includes evacuation drill and operation of fire-fighting equipment.
- Safety equipment is located at designated areas. Maintenance personnel would carry out proper maintenance inspection of firefighting equipment.

The Group conducts health and safety risk assessments and has determined that the main high-risk areas are the production lines and storage areas. In response, we have taken steps to address these areas:

- Provided safety training for employees to prevent them from getting electrocuted.
- The safety emergency plan is included in the assessment as a mitigation measure to deal with emergencies, and the emergency plan is reviewed every year to comply with relevant regulations.

Other precautionary measures have been set out, such as the Chemical Safety Precautions & Hygienic Plan, which addresses health and safety issues related to the Group's business nature

- Employees are reminded that all chemicals labelled should be handled carefully, use appropriate protective clothing and equipment such as glasses, aprons, boots, and gloves.
- Always keep the workplace clean and free from leakage to avoid the risk of contamination.

Employees are encouraged to maintain high level of self-discipline and pay attention at work to prevent injury particularly at the time of using machinery. Circuit breaker should be removed when the machine is not in use to avoid accidents due to overheat.

In 2023, the Group was not aware of any non-compliance with all relevant laws and regulations that would have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards. No work-related fatality was noted during the reported period. The Group will endeavour to improve the health and safety conditions for employees.

Indicators	Units	FY2023	FY2022	FY2021
Work-related fatality	Case(s)	**0**	0	1
Rate of work-related fatality	%	**0**	0%	0.003%
Lost days due to work injury	Days	**246**	199	444
Rate of lost days due to work injury*	%	**<0.1%**	<0.1%	<0.1%

Note:* Rate of lost days due to work injury is calculated by number of lost days/total working days of all employees during the Year

B3. DEVELOPMENT AND TRAINING

We offer different training opportunities in a variety of knowledge and skills based on the needs of employees and the business. The management of each department may engage their employees in training activities when needed, to keep them abreast of industry trends and developments, and to refresh existing skills. The management also makes sure that the training activities attain their intended objectives of continuous learning. Trainings are classified into four categories, including induction training, professional and technical training, qualification training and occupational health and safety training.

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Induction training is assigned to new joiners as an orientation. Training modules are designed to cover policies and procedures of the Group to allow employees to get familiar with the new working environment, OHS and firefighting training are also included in the initial training.

Professional and technical training are offered to staff as role-specific training to enhance the efficiency of training resources. Management is responsible for prioritizing and authorizing such training to be in line with service and individual objectives.

Qualification training is provided to the staff for career growth and development leading to enhancement in work efficiency. Employees are encouraged to obtain professional qualifications recognised by international institution to meet the service objectives. The Group operates "Post Entry Training Scheme" to link training and further external education to external standards wherever appropriate.

Occupational health and safety training is incorporated into both induction trainings for new employees and refresher trainings for existing employees. The training covers various aspects, including evacuation drills and the proper operation of fire equipment.

During the Reporting Period, the Group had provided training to 9,173 employees (36% overall training rate) and a total training hour of 317,322 hours. The table below shows the breakdown of the employee training by gender and employee category.

Percentage of employees trained (%)	FY2023 (%)	FY2023 Average training hours	FY2022 (%)	FY2022 Average training hours
Overall	**36%**	**12.4**	37%	8.8
By Gender				
Male	**28%**	**9.9**	31%	7.41
Female	**39%**	**13.29**	39%	9.29
By Employee Category				
Management	**21%**	**7.52**	23%	4.30
General and Administration	**42%**	**2.40**	33%	7.58
Product Design and Research	**22%**	**7.76**	15%	3.66
Sales and Marketing	**25%**	**8.89**	33%	7.93
Manufacturing Development	**28%**	**10.19**	30%	7.20
Quality Control	**66%**	**23.61**	45%	10.69
China Production	**0%**	**0**	88%	1.75
Bangladesh Production	**36%**	**13.04**	37%	8.87

B4. LABOUR STANDARDS

The Group has zero tolerance and strictly prohibits the use of child labour and forced labour in our operations. Below measures have been taken to avoid these illegal employment practices.

Prevention of Child Labour and Forced Labour

In the recruitment process, the Human Resources Department will verify the applicant's identity documents and ensure that they have reached the minimum age for employment. The Group stipulates the working days and rest time for employees in the employment contract to eliminate forced labour, and carefully monitor employee attendance to ensure they work voluntarily and freely. When overtime is required, employees are properly compensated as required by law.

In case of any discovered illegal labour practice, the Group will stop their employments immediately. An investigation will be carried out subsequently and report the case to the relevant authorities. During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations, that would have a significant impact on the Group including but not limited to the Employment Ordinance of Hong Kong, Labour Law of the PRC and the Bangladesh Labour Act.

B5. SUPPLY CHAIN MANAGEMENT

Establishing long-term collaborative relationships with various suppliers is the key to our success. By working closely with our suppliers, we monitor the quality of their goods and services, as well as their general performance, to ensure our supply chain reliability. In FY2023, the Group had engaged with 10 major hair products suppliers with 50% of the suppliers from Mainland China, 20% from Hong Kong and the rest 30% from Japan, India, and Korea.

Locations	No. of Major Hair Products Suppliers
Mainland China	5
Hong Kong	2
Others	3

Policies and procedures for expenditure management is set out as a guidance for the Purchasing Department to conduct selection and evaluation process of suppliers to ensure regulation's requirement is met. Selected suppliers and sub-contractors are reviewed and evaluated annually based on certain criteria, including but not limited to raw material quality, pricing, performance capability and the ability to meet delivery time.

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During the selection process, selected suppliers need to pass the internal assessment to meet the Group's procurement standards and to be legally compliant and socially responsible and financially healthy. The Group will request suppliers to provide raw material test reports prepared by international recognised testing centres complying with international standards, such as European standard EN71 and Regulation (EC) No. 1907/2006 of the European Parliament and of the Council concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals.

A supplier evaluation system has been established to evaluate suppliers on an annual basis. Assigned personnel are responsible for maintaining and updating the supplier master file. In cases where suppliers or subcontractors fail to meet the required standards, they will be removed from the list. Clear reasons for their removal will be provided to ensure effective supply chain management.

Green Procurement

ESG performance is incorporated into supplier evaluation as part of the Group's ongoing review and improvement of supplier management practices. During the procurement process, suppliers with recognised ESG achievements would have a higher ranking and priority to be selected by the Group.

The Group prioritises local suppliers and environmentally friendly products and services, aiming to reduce the carbon footprint caused by local procurement, while supporting local economic development and creating employment opportunities for local communities. In addition to environmental factors, the Group also adopts measures to monitor whether its suppliers or contractors comply with relevant social laws and regulations or meet other standards in terms of health, safety, forced labour and child labour. Regular review and evaluation are conducted to ensure the efficiency of the green supply chain management system.

B6. PRODUCT RESPONSIBILITY

The Group emphasizes high product quality to maximize customer satisfaction and prioritise its brand management. The Group has implemented comprehensive measures covering procuring good quality raw materials, production, inventory control and post-sale service to enhance the shopping experience of customers.

Internal policies regarding product responsibility target five major aspects including product recall, quality assurance, advertising and labelling, intellectual properties rights and data protection and privacy. These policies take considerations of relevant regulations in respective jurisdictions, including but not limited to the Product Quality Law of the PRC, the Law on Protection of Consumer Rights and Interests of the PRC, the US Consumer Product Safety Improvement Act, the US Code of Federal Regulations and the Consumers' Rights Protection Act of Bangladesh.

Product Health and Safety

The Group is committed to providing quality and reliable products to customers. In response to product safety regulations in corresponding jurisdictions, such as the US Consumer Product Safety Act, the Consumer Product Safety Improvement Act, the US Code of Federal Regulations and the Consumers' Rights Protection Act of Bangladesh, the Group has set stringent products' health and safety policies to protect customers' rights.

The procurement team applies the set policy as guidance in sourcing raw materials from suppliers, which have passed the Group's quality and reliability assessment. As mentioned, suppliers are required to provide the Group with raw material test reports prepared by international recognised testing centres such as European standard EN71 and Regulation (EC) No 1907/2006, to prove its compliance with international standards. Production management policy strengthens product quality control and mitigates risk of product defeats jeopardising customers' health and safety.

During the Reporting Period, the Group had zero recall rate, with no products were recalled due to safety and health reasons. The Group had achieved zero recall rate in 3 consecutive years, contributed by the efficient supply chain management system for procurement and strict monitoring of its production process.

Quality Assurance

Production management and quality control are two important steps taken by the Group to ensure product quality. Monitoring of production process is conducted by the production team to ascertain production process is up to the Group's requirements.

Quality Control Department is responsible for inspecting quality of raw materials, semi-finished products and finished products. Quality inspections are carried out by designated staff on a random basis, defects can be corrected immediately before the finished products are delivered to our customers. Only final products with passing grade in internal product assessment will be delivered to customers. Regular meetings are conducted to discuss reasons of production failure and seek mitigation and preventive solutions.

The Group sets out Product Quality Contingency Plan for investigation of product defeats and handling customer complaints caused by unsatisfactory products. Customers can reach the sales department for complaints regarding the Group's products. The Group offers free maintenance, exchange, or discount on next purchase.

In FY2023, the Group had received zero customers complaints regarding products quality. There is no significant impact of unsatisfactory products on the Group's business due to strict quality control. Proper implementation of the stated policy and regular reviews are conducted to safeguard high product quality and expand the Group's potential market.

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Advertising and Labelling

Production management policy includes high standard of labelling requirements and responsive procedures to ensure precise product descriptions for marketing materials.

The set policy complies with advertising and labelling regulations, including but not limited to Product Quality Law in China and the Consumer Goods Safety Regulation in Hong Kong. Product labelling is produced during the manufacturing phase to ensure information accuracy. Employees are responsible for filling in accurate product information on a separate new product label at each production stage. Multiple checking also ensures corrective measures can be carried out in a timely manner and accurate product information is disclosed.

In FY2023, the Group recorded no material non-compliance in advertising and labelling with reference to relevant regulations.

Intellectual Properties Rights

The Group is determined to protecting and enforcing its intellectual property rights through registered designs, patents and copyrights to comply with all relevant laws and regulations, including but not limited to Patent Law of the PRC, the Intellectual Property Law of the PRC and Patent and Design Rights guided under the Patents and Designs Act of 1911 and the Patent and Design Rules of 1933, aiming at protecting patents, designs and trademarks, and giving the creators of an invention the exclusive legal right to market, sell, manufacture, and profit from that invention. During the Reporting Period, the Group recorded no material non-compliance in intellectual property rights with reference to relevant regulations.

Data Protection and Privacy

The Group places customer privacy with high priority in its business management, and is committed to complying with data privacy laws, including but not limited to Personal Data (Privacy) Ordinance of Hong Kong, Customer Protection Law of the PRC, Federal Trade Commission Act of US, the Technology Act of Bangladesh and the Consumers' Rights Protection Act of Bangladesh, which aims at protecting data privacy.

During the Reporting Period, the Group recorded no material non-compliance in data privacy with reference to the said laws and regulations.

B7. ANTI-CORRUPTION

The Group has zero-tolerance to bribery and corruption and is committed to comply with relevant anti-bribery and corruption regulations and anti-money laundering regulations, including but not limited to the Prevention of Bribery Ordinance of Hong Kong, the Criminal Law of the PRC, the Law on Anti-money Laundering of the PRC, the American Anti-Corruption Act and the Bangladesh Anti-Corruption Commission Act.

In response to the anti-bribery and corruption regulations, the Group sets out Code of Conduct and related policy as a guideline to employees. The policy aims to maintain high standards of discipline, thereby avoiding conflict of interest and accepting reward for his performing any act in his official capacity. Reporting system is established, employees are encouraged to fill in the Report on Gifts/Advantages Received and Declaration of Conflict of Interest to avoid violating internal anti-bribery policy.

During the Reporting Period, the Group recorded no concluded legal case regarding corrupt practices brought against the Group or its employees.

Whistleblowing Policy

To identify and handle violations at an early stage, the Group has set up an internal whistleblowing system where employees can report any misconduct or reasonably suspected corruption to the chairman of the Group. The Group has provided our employees with the Code of Conduct (the "**Code**") and Employee Handbook, setting the guiding principles for all employees to behave with integrity and honesty, obey all laws, and accept accountability. Whistleblowing Policy is designed to encourage our employees and other third parties who deal with the Company such as customers, suppliers and business partners to report any suspected misconduct to the Group.

Employees are encouraged to promptly inform their supervisors or senior management of any business or work-related situation involving breach of Code (breach of Code related to business or work-related situation). Identity of whistle-blowers would be kept confidential. Employees making appropriate complaints under Whistleblowing Policy are protected against unfair dismissal, victimization, or unwarranted disciplinary action, even if the concerns turn out to be unsubstantiated. Internal audit of the Group carries out an in-depth investigation and reports to law enforcement if evidence is found.

Anti-Corruption Training

Besides abiding by laws and regulations in the jurisdictions in which we operate, we strive to take a proactive and holistic approach to avoid any incidents of bribery and corruption. Transitioning to a low-carbon future requires a strong governance structure and responsible practices that balance stakeholder interests, uphold our values, and influence our supply chain to uphold the same standards in their business activities.

During the Reporting Period, 228 hours of anti-corruption training had been provided to our employees. The anti-corruption training includes wide range of topics such as updates in recent anti-bribery and corruption issues and practices. All employees are expected to work with integrity and in professional manner, understanding that they should act fairly and avoid being involved in bribery activities or any activities which might deprive the Group's interest after receiving training.

Environmental, Social and Governance Report

B8. COMMUNITY INVESTMENT

We believe collaborative efforts can make a difference in addressing the pressing environmental and social challenges we face every day. We are guided by a sense of mission to contribute and provide unequivocal support to the less fortunate. As such, we empower our employees to serve and give via our community programs.

Over the years, the Group had strengthened its ties with the community and taken on its fair share of social responsibility by donating to and volunteering with charities. In line with our sustainability policy, we define our community investment strategy, focusing on public welfare.

During 2023, the Group has donated and invested approximately HK$540,000 in community development. Below are some of the activities that we have participated and engaged in:

- Providing building materials, rice and other supplies to selected orphanages in Nilphamari in Bangladesh.
- To promote sports enthusiasm among the younger generation, donations are provided for district-level football tournaments in Nilphamari in Bangladesh.
- Arranging rice donations amongst elderly people closer to all factories.
- Donating rice in each month to an orphanage located at Rangpur in Bangladesh.
- Making regular donations to both the Uttara EPZ School in Nilphamari and the Autistic School located in Rangpur in Bangladesh.
- Providing regular contributions to Orbis and AYFP in Hong Kong.

In the future, the Group will continue to strengthen its product quality, while keep on seeking ways to give back to the community.

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity Emissions – GHG Emission.	Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Emissions – Waste Management
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions – Waste Management

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Management
KPI A2.2	Water consumption in total and intensity.	Use of Resources – Water Management
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Management
KPI A2.5	Total packaging material used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Packaging Materials and Raw Materials
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimizing the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources

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Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change – Physical risks, Transition risks
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare. Employment Practices.	Employment Practices
KPI B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment Practices
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment Practices

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards. Health and Safety.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the Reporting Period.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety – Occupational Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category.	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management – Green Procurement
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management – Green Procurement

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Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Responsibility – Quality Assurance
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Quality Assurance
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Product Responsibility – Data Protection and Privacy

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-corruption – Whistle-blowing Policy
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption – Anti-corruption Training
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take the communities' interests into consideration.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF EVERGREEN PRODUCTS GROUP LIMITED
訓修實業集團有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Evergreen Products Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 101 to 189, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Valuation of industrial buildings, offices and car parks (the "Revalued Properties") included in property, plant and equipment	
We identified the valuation of the Revalued Properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the significant judgement and estimates involved in determining their fair value. As set out in Note 4, the Revalued Properties of the Group are stated in the consolidated statement of financial position at the date of the revaluation at fair value less subsequent accumulated depreciation and accumulated impairment losses, if any. As set out in Note 16 to the consolidated financial statements, the Group's Revalued Properties amounted to approximately HK$116,872,000 as at 31 December 2023, the date of revaluation. The key inputs used in valuing the Revalued Properties are market unit rate of comparable properties.	Our procedures in relation to valuation of Revalued Properties included: • Evaluating the competence, capabilities and objectivity of the independent qualified valuer; • Obtaining an understanding from the independent qualified valuer about the valuation methodology, the significant assumptions adopted, critical judgmental areas on key inputs and data used in the valuation; and • Assessing the reasonableness of the key inputs used by the independent qualified valuer by comparing to available market data.

OTHER INFORMATION

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

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

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

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

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

Independent Auditor's Report

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Li Man Kei.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
22 March 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Revenue	5	**979,240**	1,100,375
Cost of sales		**(746,007)**	(843,280)
Gross profit		**233,233**	257,095
Other income	7	**7,296**	5,449
Other gains and losses	8	**(59)**	(5,192)
Impairment losses recognised under expected credit loss model, net of reversal		**(2,053)**	(179)
Administrative expenses		**(119,091)**	(138,073)
Distribution and selling expenses		**(31,027)**	(26,731)
Other expenses	9	**(541)**	(296)
Gain on disposal of a subsidiary	37	**3,839**	–
Finance costs	10	**(36,810)**	(29,826)
Profit before tax	11	**54,787**	62,247
Income tax expense	13	**(6,563)**	(3,939)
Profit for the year		**48,224**	58,308
Other comprehensive income (expense) for the year:			
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of properties		**6,223**	19,598
Deferred tax arising from revaluation of properties		**(12)**	(2,454)
		6,211	17,144
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(25,304)**	(89,845)
Reclassification of cumulative reserve to profit and loss upon disposal of a subsidiary		**1,847**	–
		(23,457)	(89,845)
Other comprehensive expense for the year, net of income tax		**(17,246)**	(72,701)
Total comprehensive income (expense) for the year		**30,978**	(14,393)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	NOTE	2023 HK$'000	2022 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**51,011**	66,289
Non-controlling interests		**(2,787)**	(7,981)
		48,224	58,308
Total comprehensive income (expense) attributable to:			
Owners of the Company		**34,471**	(2,169)
Non-controlling interests		**(3,493)**	(12,224)
		30,978	(14,393)
Earnings per share (HK$)	*15*		
– Basic		**0.08**	0.10
– Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment	16	**580,600**	618,712
Investment properties	17	**15,043**	12,143
Financial assets at fair value through profit or loss	18	**43,800**	42,672
Non-current deposits	20	**7,553**	5,138
		646,996	678,665
Current assets			
Inventories	19	**521,359**	476,030
Trade and other receivables	20	**274,262**	234,558
Tax recoverable		**4,782**	1,545
Pledged bank deposits	21	**93,584**	91,852
Cash and cash equivalents	22	**90,583**	78,612
		984,570	882,597
Assets classified as held for sale	23	**–**	9,311
		984,570	891,908
Current liabilities			
Trade and other payables	24	**131,629**	87,649
Contract liabilities	25	**10,832**	7,100
Amount due to a related company	26	**6,150**	10,750
Amount due to a non-controlling shareholder of a subsidiary	26	**2,376**	12,093
Tax payable		**12,660**	7,511
Secured bank and other borrowings	27	**568,563**	507,732
Bank overdrafts	27	**–**	18,491
Lease liabilities	28	**1,844**	1,424
		734,054	652,750
Net current assets		**250,516**	239,158
Total assets less current liabilities		**897,512**	917,823

Consolidated Statement of Financial Position

At 31 December 2023

	NOTES	2023 HK$'000	2022 HK$'000
Capital and reserves			
Share capital	29	**51,010**	53,377
Reserves		**800,616**	844,304
Amount recognised in other comprehensive income and accumulated in equity relating to assets classified as held for sales		**–**	(1,272)
Equity attributable to owners of the Company		**851,626**	896,409
Non-controlling interests		**(6,526)**	(8,321)
Total equity		**845,100**	888,088
Non-current liabilities			
Deferred tax liabilities	30	**7,817**	7,480
Secured bank and other borrowings	27	**35,172**	14,031
Lease liabilities	28	**9,423**	8,224
		52,412	29,735
		897,512	917,823

The consolidated financial statements on pages 101 to 189 were approved and authorised for issue by the board of directors on 22 March 2024 and are signed on its behalf of:

Chang Yoe Chong Felix
DIRECTOR

Chan Kwok Keung
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Group										
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note a)	Property revaluation reserve HK$'000	Other reserve HK$'000 (note b)	Translation reserve HK$'000	Amount recognised in other comprehensive Income for assets held for sale HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2022	53,377	466,772	(53,992)	101,598	(76)	(19,660)	-	369,769	917,788	3,903	921,691
Profit (loss) for the year	-	-	-	-	-	-	-	66,289	66,289	(7,981)	58,308
Surplus on revaluation of properties	-	-	-	19,598	-	-	-	-	19,598	-	19,598
Reclassified as assets held for sale	-	-	-	(575)	-	1,847	(1,272)	-	-	-	-
Deferred tax arising from revaluation of properties	-	-	-	(2,454)	-	-	-	-	(2,454)	-	(2,454)
Exchange differences arising from translation of foreign operations	-	-	-	-	-	(85,602)	-	-	(85,602)	(4,243)	(89,845)
Total comprehensive (expense) income for the year	-	-	-	16,569	-	(83,755)	(1,272)	66,289	(2,169)	(12,224)	(14,393)
Dividends recognised as distribution *(Note 14)*	-	-	-	-	-	-	-	(19,210)	(19,210)	-	(19,210)
At 31 December 2022	53,377	466,772	(53,992)	118,167	(76)	(103,415)	(1,272)	416,848	896,409	(8,321)	888,088
Profit (loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**51,011**	**51,011**	**(2,787)**	**48,224**
Surplus on revaluation of properties	**-**	**-**	**-**	**6,223**	**-**	**-**	**-**	**-**	**6,223**	**-**	**6,223**
Reclassified of cumulative reserve to profit and loss upon disposal of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**1,847**	**-**	**1,847**	**-**	**1,847**
Deferred tax arising from revaluation of properties	**-**	**-**	**-**	**(12)**	**-**	**-**	**-**	**-**	**(12)**	**-**	**(12)**
Exchange differences arising from translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**(24,598)**	**-**	**-**	**(24,598)**	**(706)**	**(25,304)**
Total comprehensive income (expense) for the year	**-**	**-**	**-**	**6,211**	**-**	**(24,598)**	**1,847**	**51,011**	**34,471**	**(3,493))**	**30,978**
Release upon disposal of land and buildings	**-**	**-**	**-**	**-**	**-**	**-**	**(575)**	**575**	**-**	**-**	**-**
Acquisition of additional interests in subsidiary from non-controlling shareholders *(Note c)*	**-**	**-**	**-**	**-**	**(5,288)**	**-**	**-**	**-**	**(5,288)**	**5,288**	**-**
Dividends recognised as distribution *(Note 14)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(54,200)**	**(54,200)**	**-**	**(54,200)**
Share repurchases and cancellation *(Note 29)*	**(2,367)**	**(17,399)**	**-**	**-**	**-**	**-**	**-**	**-**	**(19,766)**	**-**	**(19,766)**
At 31 December 2023	**51,010**	**449,373**	**(53,992)**	**124,378**	**(5,364)**	**(128,013)**	**-**	**414,234**	**851,626**	**(6,526)**	**845,100**

Notes:

a. Capital reserve represents (i) the contribution from an intermediate holding company to Evergreen Products Factory Limited ("**Evergreen Factory**"), a wholly-owned subsidiary of the Company; and (ii) the difference between the nominal value of the share capital of Evergreen Factory at the date on which it was acquired by the Group, and the deemed consideration pursuant to the group reorganisation in prior years.

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

c. During the year ended 31 December 2023, the Group had paid cash considerations of HK$29 to acquire 29% additional interests in the subsidiary from non-controlling shareholder. The difference between the considerations paid by the Group and the subsidiary's net assets attributable to the additional interests acquired was debited to other reserve.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	NOTE	**2023 HK$'000**	2022 HK$'000 (Restated)
OPERATING ACTIVITIES			
Profit before tax		**54,787**	62,247
Adjustments for:			
Depreciation of property, plant and equipment		**49,185**	58,480
Bank interest income		**(2,082)**	(395)
Imputed interest income on property rental deposits		**(151)**	(71)
(Gain) loss on disposal of property, plant and equipment		**(18)**	10
(Gain) loss on change in fair value of investment properties		**(367)**	88
Provision of impairment losses financial assets under expected credit loss model		**2,053**	179
Finance costs		**36,810**	29,826
Changes in fair value of the financial assets at fair value through profit or loss		**1,119**	4,807
Gain on disposal of a subsidiary		**(3,839)**	–
Operating cash flows before movements in working capital		**137,497**	155,171
Increase in inventories		**(45,329)**	(4,580)
(Increase) decrease in trade and other receivables		**(38,203)**	50,983
Increase in trade and other payables		**330,499**	226,984
Increase (decrease) in contract liabilities		**3,732**	(1,691)
Cash generated from operations		**388,196**	426,867
Income tax (paid) refund		**(4,016)**	(5,275)
NET CASH FROM OPERATING ACTIVITIES		**384,180**	421,592
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(27,248)**	(26,768)
Purchase of investment funds		**(1,681)**	(3,893)
Placement of pledged bank deposits		**(2,456)**	(2,918)
Payments for life insurance contracts		**(566)**	(23,215)
(Payment) refund of rental deposits		**(104)**	269
Proceed from disposal of a subsidiary	37	**2,938**	–
Interest received		**2,082**	395
Withdrawal of pledged bank deposits		**724**	17,634
Proceeds from disposal of property, plant and equipment		**18**	–
NET CASH USED IN INVESTING ACTIVITIES		**(26,293)**	(38,496)

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 HK$'000	2022 HK$'000
FINANCING ACTIVITIES		
New secured bank and other borrowings raised	**1,032,849**	993,400
Drawdown of bank overdrafts	**287,451**	375,979
Repayment of secured bank and other borrowings	**(1,030,269)**	(1,010,330)
Repayment of bank overdrafts	**(305,004)**	(394,721)
Repayment of bank borrowings under supplier financing arrangement	**(202,137)**	(293,691)
Dividends paid	**(54,200)**	(19,210)
Interest paid	**(35,829)**	(29,826)
Repurchase of shares	**(19,766)**	–
(Repayment to) advance from a non-controlling shareholder of a subsidiary	**(9,535)**	6,268
Repayment to a related company	**(4,600)**	(6,852)
Repayment of lease liabilities	**(1,852)**	(2,724)
Advance from a related company	**–**	13,302
NET CASH USED IN FINANCING ACTIVITIES	**(342,892)**	(368,405)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**14,995**	14,691
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**78,674**	68,444
Effect of foreign exchange rate changes	**(3,086)**	(4,461)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**90,583**	78,674
Represented by:		
Bank balances and cash		
– held by the Group	**90,583**	**78,612**
– included in assets held-for-sale	**–**	**62**
	90,583	**78,674**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

1. GENERAL INFORMATION

Evergreen Products Group Limited (the "**Company**") is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company's immediate holding company is Evergreen Enterprise Holdings Limited, a company which was incorporated in the British Virgin Islands (the "**BVI**"). The Company's ultimate holding company is Golden Evergreen Limited (the "**GEL**"), a company incorporated in the BVI. GEL is wholly-owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and CLC Family Trust (collectively, the "**Trust**"). The beneficiaries and settlor of the Trust, including Mr. Chang Chih Lung (who passed away in March 2022), Mr. Chang Yoe Chong Felix and their family members, are considered as the controlling shareholders of the Company. The registered office of the Company is PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands and the principal place of business of the Company is 11th Floor, Chiap Luen Industrial Building, 30–32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong.

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

The consolidated financial statements are presented in Hong Kong dollars (the "**HK$**"). The Company's functional currency is the United States Dollars (the "**US$**"). For the convenience of the financial statements users, the consolidated financial statements are presented in HK$ as the Company's share are listed on Stock Exchange.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

NEW AND AMENDMENTS TO HKFRSS THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accounts ("**HKICPA**"), for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the Group's consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS12	International Tax Reform – Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

NEW AND AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

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

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 *Disclosure of Accounting Policies*

The Group has applied the amendments for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

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

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

AMENDMENTS TO HKFRSS IN ISSUE BUT NOT YET EFFECTIVE

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[2]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[2]
Amendments to HKAS 1	Non-current Liabilities with Covenants[2]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[2]
Amendments to HKAS 21	Lack of Exchangeability[3]

[1] Effective for annual periods beginning on or after a date to be determined.

[2] Effective for annual periods beginning on or after 1 January 2024.

[3] Effective for annual periods beginning on or after 1 January 2025.

Except for Amendments to HKAS 1 mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* (the "2020 Amendments") and Amendments to HKAS 1 *Non-current Liabilities with Covenants* (the "2022 Amendments")

The 2020 Amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 "Financial Instruments: Presentation".

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

Amendments to *HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* (the "2020 Amendments") and Amendments to HKAS 1 *Non-current Liabilities with Covenants* (the "2022 Amendments") (Continued)

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the requirements introduced by the 2020 Amendments have been modified by the 2022 Amendments. The 2022 Amendments specify that only covenants with which an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date. Covenants which are required to comply with only after the reporting period do not affect whether that right exists at the end of the reporting period.

In addition, the 2022 Amendments specify the disclosure requirements about information that enables users of financial statements to understand the risk that the liabilities could become repayable within twelve months after the reporting period, if an entity classifies liabilities arising from loan arrangements as non-current when the entity's right to defer settlement of those liabilities is subject to the entity complying with covenants within twelve months after the reporting period.

The 2022 Amendments also defer the effective date of applying the 2020 Amendments to annual reporting periods beginning on or after 1 January 2024. The 2022 Amendments, together with the 2020 Amendments, are effective for annual reporting periods beginning on or after 1 January 2024, with early application permitted. If an entity applies the 2020 amendments for an earlier period after the issue of the 2022 Amendments, the entity should also apply the 2022 Amendments for that period.

Based on the Group's outstanding liabilities as at 31 December 2023, the application of the amendments will not result in reclassification of the Group's liabilities.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

Amendments to HKAS 7 and HKFRS 7 *Supplier Finance Arrangements*

The amendments add a disclosure objective to HKAS 7 "statement of cash flows" stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows. In addition, HKFRS 7 "Financial Instruments: Disclosures" was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity's exposure to concentration of liquidity risk.

The term 'supplier finance arrangements' is not defined. Instead, the amendments describe the characteristics of an arrangement for which an entity would be required to provide the information.

To meet the disclosure objective, an entity will be required to disclose in aggregate for its supplier finance arrangements:

- The terms and conditions of the arrangements;

- The carrying amount and associated line items presented in the entity's statement of financial position, of the liabilities that are part of the arrangements, and the non-cash changes in the carrying amounts of these financial liabilities;

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE (CONTINUED)

Amendments to HKAS 7 and HKFRSs 7 *Supplier Finance Arrangements* (Continued)

- The carrying amount, and associated line items for which the suppliers have already received payment from the finance providers;

- Ranges of payment due dates for both those financial liabilities that are part of a supplier finance arrangement and comparable trade payables that are not part of a supplier finance arrangement; and liquidity risk information.

The amendments, which contain specific transition reliefs for the first annual reporting period in which an entity applies the amendments, are applicable for annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted.

The application of the amendments is not expected to have impact on the financial position or performance of the Group but may affect the disclosures of liabilities, cash flows and the Group's exposure to liquidity risk related to the supplier finance arrangements entered into by the Group. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rule Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

3.2 MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Basis of consolidation (Continued)

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset and its sale is highly probable. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in the relevant subsidiary after the sale.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 5 and 25.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 "Leases" ("**HKFRS 16**"), the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any lease payments made at or before the commencement date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified operating leases.

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

Foreign currencies

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Foreign currencies (Continued)

Exchange differences relating to the retranslation of the Group's net assets in US$ to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense.

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

Taxation

Income tax expense represents the sum of the current and deferred income tax expense.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation (Continued)

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

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation (Continued)

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold lands, which is always presumed to be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

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

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than freehold lands and factory buildings, owned properties which are industrial buildings, offices and car parks and construction in progress as described below, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Owned properties that are industrial buildings, offices and car parks held for use in the production or supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at fair value at the date of the revaluation less subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period and as at the date of transfer to investment property.

Factory buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold lands and building elements, the entire consideration is allocated between the leasehold lands and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold lands that is accounted for as an operating lease is presented as right-of-use assets in property, plant and equipment in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold lands, the related leasehold lands are not presented separately as right-of-use assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Property, plant and equipment (Continued)

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investment properties (Continued)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs to completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

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

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(ii) Financial assets at FVTPL

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

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, pledged bank deposits and bank balances) which are subject to impairment assessment under "Financial Instruments" ("**HKFRS 9**"). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

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

The Group always recognises lifetime ECL for trade receivables.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk

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

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- an actual or expected significant deterioration in the operating results of the debtor; and

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

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

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

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial liabilities and equity

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, secured bank and other borrowings, bank overdrafts, amount due to a related company and amount due to a non-controlling shareholder of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted and the Group has recognised deferred tax on changes in fair value of investment properties on the basis that the deferred tax reflects the tax consequences that will follow from the manner in which the Group expects to recover the carrying amount of the investment properties through consumption by economic benefits over time.

KEY SOURCES OF ESTIMATION UNCERTAINTY

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

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Fair value of industrial buildings, offices and car parks

Industrial buildings, offices and car parks in which the Group is the registered owner are stated in the consolidated statement of financial position at the date of the valuation at fair value less subsequent accumulated depreciation and accumulated impairment losses, if any. They are carried at their revalued amount of HK$116,872,000 (2022: HK$118,481,000) at the end of the reporting period. The revalued amount of the industrial buildings, offices and car parks was based on valuation on the properties conducted by an independent qualified valuer using market approach, as detailed in Note 16. The valuation conducted by independent qualified valuer using the market approach. The key input using in the valuation are market unit rate of comparable properties. Favourable or unfavourable changes to these assumptions would result in changes in fair value of the Group's industrial buildings, offices and car parks and corresponding adjustments to the amount reported in other comprehensive income.

5. REVENUE

(I) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

	2023 ***HK$'000***	2022 *HK$'000*
Group revenue by products		
Wigs, hair accessories and others	**862,256**	872,398
High-end human hair extensions	**80,423**	184,486
Halloween products	**36,561**	43,491
	979,240	1,100,375

All revenue is recognised at a point in time.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

5. REVENUE (CONTINUED)

(II) PERFORMANCE OBLIGATION FOR CONTRACTS WITH CUSTOMERS

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the designated location (delivery). The normal credit period is 90 days upon delivery. Transportation and handling activities that occur before the customer obtains control are considered as fulfilment activities.

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of production, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives 30% to 50% deposit on acceptance of new customers' order. A contract liability is recognised for receipt in advance for sales in which revenue has yet been recognised.

(III) TRANSACTION PRICE ALLOCATED TO THE REMAINING PERFORMANCE OBLIGATION FOR CONTRACTS WITH CUSTOMER

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

6. 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. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

GEOGRAPHICAL INFORMATION

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

	Revenue from external customers	
	2023	2022
	HK$'000	*HK$'000*
The United States of America (the "**USA**")	**882,758**	964,436
Germany	**37,343**	56,591
Japan	**13,681**	26,345
The People's Republic of China (the "**PRC**")	**12,280**	24,129
The United Kingdom (the "**UK**")	**23,697**	13,749
Others	**9,481**	15,125
	979,240	1,100,375

6. SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION (CONTINUED)

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

	2023 **HK$'000**	2022 HK$'000
Bangladesh	**430,618**	466,179
Hong Kong	**93,940**	99,036
The PRC	**48,270**	43,491
The USA	**19,098**	17,642
Japan	**1,909**	1,940
Thailand	**6,797**	6,798
The UK	**1,553**	–
	602,185	635,086

Note: Non-current assets excluded financial assets at FVTPL and property rental deposits.

INFORMATION ABOUT MAJOR CUSTOMERS

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

	2023 **HK$'000**	2022 HK$'000
Customer A[1]	**374,960**	366,251
Customer B[1]	**200,059**	185,171

[1] The owner of Customer A is a relative of the owner of Customer B.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2023

7. OTHER INCOME

	2023 **HK$'000**	2022 *HK$'000*
Bank interest income	**2,082**	395
Rental income	**1,760**	1,163
Government grant	**171**	1,447
Sundry income	**3,132**	2,373
Imputed interest income on property rental deposits	**151**	71
	7,296	5,449

8. OTHER GAINS AND LOSSES

	2023 **HK$'000**	2022 *HK$'000*
Losses on financial assets at FVTPL, net	**(1,119)**	(4,807)
Gain (loss) on disposal of property, plant and equipment	**18**	(10)
Net foreign exchange gain (loss)	**675**	(287)
Gain (loss) on change in fair value of investment properties	**367**	(88)
	(59)	(5,192)

9. OTHER EXPENSE

	2023 **HK$'000**	2022 *HK$'000*
Donation expense	**541**	296

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For the year ended 31 December 2023

10. FINANCE COSTS

	2023 **HK$'000**	2022 *HK$'000*
Interest on bank borrowings	**33,089**	27,942
Interest on other borrowing	**1,309**	756
Interest on amount due to a related company	**442**	330
Interest on lease liabilities	**989**	798
Others	**981**	–
	36,810	29,826

11. PROFIT BEFORE TAX

	2023 **HK$'000**	2022 *HK$'000*
Profit before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	**49,185**	58,480
Capitalised in inventories	**(37,501)**	(44,323)
	11,684	14,157
Directors' emoluments *(note 12)*		
– fee	**4,660**	4,800
– salaries and other benefits	**1,817**	4,068
– retirement benefits scheme contributions	**62**	74
	6,539	8,942
Staff's salaries and other benefits	**297,347**	365,881
Staff's retirement benefits scheme contributions	**4,774**	10,774
Total staff costs *(Note)*	**308,660**	385,597
Auditor's remuneration		
– audit services	**2,534**	2,436
– other services	**150**	150

Note: Staff costs disclosed above included amounts capitalised in inventories.

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

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

	2023				2022			
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors								
Mr. Chang Yoe Chong Felix *(note (i))*	3,600	-	-	3,600	3,600	–	–	3,600
Mr. Chan Kwok Keung	-	1,219	18	1,237	–	2,220	18	2,238
Ms. Jia Ziying	-	328	22	350	–	299	20	319
Mr. Li Yan Bo	-	270	22	292	–	272	19	291
Mr. Hui Wing Ki *(note (ii))*	-	-	-	-	–	592	8	600
Mr. Kwok Yau Lung Anthony *(note (iii))*	-	-	-	-	–	685	9	694
Non-executive director								
Mr. Chan Lau Yui Kevin	240	-	-	240	240	–	–	240
Independent non-executive directors								
Mr. Sin Hendrick	240	-	-	240	240	–	–	240
Mr. Szeto Yuk Ting	240	-	-	240	240	–	–	240
Ir. Cheung Siu Wa	240	-	-	240	240	–	–	240
Mr. Tseung Yuk Hei, Kenneth *(note (iv))*	100	-	-	100	240	–	–	240
	4,660	1,817	62	6,539	4,800	4,068	74	8,942

12. DIRECTORS, CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

Notes:

(i) Mr. Chang Yoe Chong Felix acts as an executive director, Chief Executive Officer and also the Chairman of the Company and the Group and his emoluments disclosed above included those services rendered by him as Chief Executive Officer.

(ii) Mr. Hui Wing Ki resigned as an executive director of the Company on 12 May 2022.

(iii) Mr. Kwok Yau Lung Anthony resigned as an executive director of the Company on 18 June 2022.

(iv) Mr. Tseung Yuk Hei Kenneth resigned as an independent non-executive director of the Company on 1 June 2023.

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

The non-executive directors' emoluments shown above was for their service as directors of the Company.

The independent non-executive director's emoluments shown above were for their services as directors of the Company.

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12. DIRECTORS, CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

The five highest paid individuals included 2 directors (2022: 2 directors) of the Company for the year ended 31 December 2023, details of whose emoluments are included above. The emoluments of the remaining 3 (2022: 3) highest paid individuals during the year were as follows:

	2023	2022
	HK$'000	*HK$'000*
Employees		
– salaries and other benefits	**3,405**	3,784
– equity settled share-based expenses	**54**	54
	3,459	3,838

Their emoluments were within the following bands:

	2023	2022
	No. of employees	No. of employees
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**2**	2
	3	3

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

13. INCOME TAX EXPENSE

	2023 *HK$'000*	2022 *HK$'000*
The income tax expense comprises:		
Current tax:		
Hong Kong	**40**	92
The PRC Enterprise Income Tax ("**EIT**")	**336**	21
Bangladesh	**5,414**	1,779
Other jurisdictions	**163**	155
	5,953	2,047
(Over-provision) under-provision in prior year:		
Bangladesh	**–**	2,821
Hong Kong	**(25)**	(826)
	(25)	1,995
Deferred tax *(note 30)*		
Current year	**635**	(103)
	6,563	3,939

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be 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.

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For the year ended 31 December 2023

13. INCOME TAX EXPENSE (CONTINUED)

The Group is engaged in the manufacturing of certain hair products through several processing factories in the PRC under contract and import processing arrangement which is effective for both years. Accordingly, under such 50:50 onshore/offshore arrangement between the Group and the contract processing factories, certain profits of the Group are not taxable under Hong Kong Profits Tax for both years. Meanwhile, the profit derived under the import processing arrangement are treated as 100% taxable under Hong Kong Profits Tax for both years. In addition, the processing factories of the Group are subject to the PRC EIT at a rate of 25% on the actual profit generated in the PRC.

Bangladesh tax authority has published a regulation on 26 June 2023 with reference number "SRO No. 210-Law/Income Tax 05/2023" allowing 12% tax rate on export income. The definition of "export" includes supply of goods to outside Bangladesh and supply of goods to export-oriented industry under internal back-to-back letter of credit. Minimum tax standard rate has also proportionately reduced as per applicable reduced income tax rate. For the year ended 31 December 2023, the subsidiaries operating in Bangladesh are subject to income tax rate of the higher of 0.24% of revenue or 1% of the export proceeds or 12% on the assessable profit (2022: higher of 0.24% of revenue or 12% on the assessable profit) except Master Purple (BD) Limited. Master Purple (BD) Limited operating in Bangladesh is exempted from income tax for 3 financial years from the date of commencement of commercial operation (i.e. 9 March 2020) up to 8 March 2023, afterwards with 3 financial years of 50% exemption and subsequently with 1 financial year of 25% exemption.

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

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

13. INCOME TAX EXPENSE (CONTINUED)

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

	2023 **HK$'000**	2022 *HK$'000*
Profit before tax	**54,787**	62,247
Tax at the Hong Kong Profits Tax rate of 16.5% *(Note)*	**9,040**	10,270
Tax effect of expenses not deductible for tax purpose	**601**	525
Tax effect of income not taxable for tax purpose	**(526)**	(58)
Tax effect of tax exemptions granted to a subsidiary operated in Bangladesh	**(1,296)**	(15,354)
Tax effect of tax losses not recognised	**5,490**	5,362
Utilisation of tax loss for previous year not recognised	**(7,984)**	–
(Over-provision) provision in prior year	**(25)**	1,995
Effect of different tax rate applicable to subsidiaries operating in the other jurisdictions	**853**	708
Others	**410**	491
Income tax expense for the year	**6,563**	3,939

Note: The domestic tax rate (which is Hong Kong Profits Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

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14. DIVIDENDS

	2023 HK$'000	2022 HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2023 interim dividend of HK4.2 cents (2022: HK1.7 cents) per share	**28,815**	11,663
2022 final dividend of HK3.7 cents (2022: 2021 final dividend of HK1.1 cents) per share	**25,385**	7,547
	54,200	19,210

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of HK2.9 cents per ordinary share, in an aggregate amount of HK$19,000,000 (2022: HK3.7 cents per ordinary share, in an aggregate amount of HK$25,385,000), has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

15. EARNINGS PER SHARE

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

	2023 HK$'000	2022 HK$'000
Earnings attributable to owners of the Company:		
Earnings for the purpose of calculating basic and diluted earnings per share	**51,011**	66,289
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**678,473,000**	686,082,000

No diluted earnings per share is presented for the year ended 31 December 2023 and 2022 as there were no potential ordinary shares in issue for both years.

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For the year ended 31 December 2023

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold lands and factory buildings HK$'000 *Notes (i)(ii)*	Residential properties HK$'000 *Note (ii)*	Industrial buildings, offices and car parks HK$'000 *Note (ii)*	Leased properties HK$'000	Construction in progress HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST OR VALUATION										
At 1 January 2022	640,088	15,012	124,622	20,322	13,792	131,757	6,238	20,468	14,718	987,017
Additions	8,158	–	626	780	2,787	9,208	1,015	730	6,504	29,808
Disposals	–	–	–	(4,677)	–	(278)	–	–	–	(4,955)
Transfers	8,339	–	–	–	(8,339)	–	–	–	–	–
Surplus on revaluation	–	–	15,136	–	–	–	–	–	–	15,136
Transfer to investment properties *(Note 17)*	(4,850)	–	(10,604)	–	–	–	–	–	–	(15,454)
Reclassified as held for sales *(Note 23)*	–	–	(7,159)	–	–	(197)	–	–	(2,697)	(10,053)
Exchange adjustments	(103,362)	(584)	(4,140)	(517)	(1,212)	(14,406)	(945)	(2,316)	(2,629)	(130,111)
At 31 December 2022	548,373	14,428	118,481	15,908	7,028	126,084	6,308	18,882	15,896	871,388
Additions	10,429	–	1,867	3,248	2,191	3,599	48	4,102	2,701	28,185
Disposals	–	–	–	–	–	–	–	(1,224)	–	(1,224)
Surplus on revaluation	–	–	140	–	–	–	–	–	–	140
Transfer to investment properties *(Note 17)*	–	–	(2,914)	–	–	–	–	–	–	(2,914)
Exchange adjustments	(24,634)	148	(702)	429	(257)	(3,760)	(255)	(606)	(684)	(30,321)
At 31 December 2023	534,168	14,576	116,872	19,585	8,962	125,923	6,101	21,154	17,913	865,254
Comprising										
At cost	534,168	14,576	–	19,585	8,962	125,923	6,101	21,154	17,913	748,382
At professional valuation	–	–	116,872	–	–	–	–	–	–	116,872
At 31 December 2023	534,168	14,576	116,872	19,585	8,962	125,923	6,101	21,154	17,913	865,254
DEPRECIATION										
At 1 January 2022	104,702	509	–	8,505	–	95,740	4,415	18,228	9,006	241,105
Provided for the year	31,795	106	5,592	2,891	–	14,221	1,626	949	1,300	58,480
Disposals	–	–	–	(4,677)	–	(268)	–	–	–	(4,945)
Eliminated on revaluation	–	–	(4,462)	–	–	–	–	–	–	(4,462)
Transfer to investment properties *(Note 17)*	(2,805)	–	–	–	–	–	–	–	–	(2,805)
Reclassified as held for sales *(Note 23)*	–	–	(349)	–	–	(121)	–	–	(335)	(805)
Exchange adjustments	(18,684)	(50)	(781)	–	–	(10,772)	(702)	(1,949)	(954)	(33,892)
At 31 December 2022	115,008	565	–	6,719	–	98,800	5,339	17,228	9,017	252,676
Provided for the year	22,596	95	5,732	2,262	–	15,484	228	1,311	1,477	49,185
Disposals	–	–	–	–	–	–	–	(1,224)	–	(1,224)
Eliminated on revaluation	–	–	(6,083)	–	–	–	–	–	–	(6,083)
Transfer to investment properties *(Note 17)*	–	–	(79)	–	–	–	–	–	–	(79)
Exchange adjustments	(5,680)	(18)	430	1	–	(2,988)	(215)	(513)	(838)	(9,821)
At 31 December 2023	131,924	642	–	8,982	–	111,296	5,352	16,802	9,656	284,654

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold lands and factory buildings *HK$'000* *Notes (i)(ii)*	Residential properties *HK$'000* *Note (ii)*	Industrial buildings, offices and car parks *HK$'000* *Note (ii)*	Leased properties *HK$'000*	Construction in progress *HK$'000*	Machinery and equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
Carrying values representing										
Cost	402,244	13,934	–	10,603	8,962	14,627	749	4,352	8,257	463,728
Valuation	–	–	116,872	–	–	–	–	–	–	116,872
At 31 December 2023	402,244	13,934	116,872	10,603	8,962	14,627	749	4,352	8,257	580,600
Carrying values representing										
Cost	433,365	13,863	–	9,189	7,028	27,284	969	1,654	6,879	500,231
Valuation	–	–	118,481	–	–	–	–	–	–	118,481
At 31 December 2022	433,365	13,863	118,481	9,189	7,028	27,284	969	1,654	6,879	618,712

Notes:

(i) HK$27,186,000 (2022: HK$25,867,000) of freehold lands are included in the freehold lands and factory buildings.

(ii) The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land component of these owned properties are presented as right-of-use assets only if the payments made can be allocated reliably.

The above items of property, plant and equipment other than freehold lands and construction in progress are depreciated on a straight-line basis, after taking into account the estimated residual value, at the following rates per annum:

Factory buildings, leasehold lands and buildings	4% to 6% or over the term of the lease, which is shorter
Leased properties	Over the respective lease term
Machinery and equipment, furniture and fixtures	20%
Leasehold improvements	Over the respective lease term
Motor vehicles	25%

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

THE GROUP AS LESSEE

Right-of-use assets (included in the property, plant and equipment)

	Leasehold lands *HK$'000*	Leased properties *HK$'000*	Motor vehicles *HK$'000*	Factory buildings *HK$'000*	Total *HK$'000*
As at 31 December 2023					
Carrying amount	21,096	2,418	70	647	24,231
As at 31 December 2022					
Carrying amount	21,900	386	111	1,109	23,506
For the year ended 31 December 2023					
Depreciation charge	1,025	853	120	555	2,553
For the year ended 31 December 2022					
Depreciation charge	1,026	1,543	126	524	3,219

	2023 ***HK$'000***	2022 *HK$'000*
Total cash outflow for leases	**2,841**	3,522
Additions to right-of-use assets	**3,248**	780

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

THE GROUP AS LESSEE (CONTINUED)

Right-of-use assets (included in the property, plant and equipment) (Continued)

The right-of-use assets are depreciated on a straight-line basis over the respective lease term.

For both years, the Group leases leasehold lands, leased properties, motor vehicles and factory buildings for its operations. Lease contracts are entered into for fixed term of 2 to 30 years (2022: 2 to 30 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Restrictions or covenants on leases

In addition, lease liabilities of HK$11,267,000 (2022: HK$9,648,000) are recognised with related right-of-use assets of HK$10,604,000 (2022: HK$9,190,000) as at 31 December 2023. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

FAIR VALUE MEASUREMENT OF THE INDUSTRIAL BUILDINGS, OFFICES AND CAR PARKS

In estimating the fair value of the Group's industrial buildings, offices and car parks by applying the appropriate valuation techniques and inputs for fair value measurements, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The directors of the Company work closely with qualified external valuer to establish the appropriate valuation techniques and inputs to the model.

As at 31 December 2022 and 2023, industrial buildings, offices and car parks were revalued by Roma Appraisals Limited ("**ROMA**") of which the registered office is at 22/F, China Overseas Building, 139 Hennessy Road, Wan Chai, Hong Kong, an independent qualified professional valuers. ROMA, which is not connected with the Group, is a member of Hong Kong Institute of Surveyors. There has been no change from the valuation technique used in the prior years. The valuation has been adopted by the directors of the Company in the consolidated financial statements and the property revaluation increase of HK$6,223,000 (2022: HK$19,598,000) have been credited to the property revaluation reserve for the year ended 31 December 2023.

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

FAIR VALUE MEASUREMENT OF THE INDUSTRIAL BUILDINGS, OFFICES AND CAR PARKS (CONTINUED)

The fair value measurements of the Group's industrial buildings, offices and car parks as at 31 December 2023 and 31 December 2022 using significant unobservable input (Level 3) are disclosed as below.

Description	Fair value at 31.12.2023 HK$'000	Fair value at 31.12.2022 HK$'000	Valuation techniques	Significant unobservable inputs	Sensitivity
Leasehold lands and industrial buildings in Hong Kong	**89,101**	88,194	Market approach	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from HK$2,856 to HK$3,341 (2022: HK$2,713 to HK$3,656) per square foot	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Offices in the PRC	**3,154**	3,630	Market approach	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from Renminbi ("**RMB**") 15,500 to RMB53,000 (2022: RMB15,600 to RMB57,100) per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Car parks in the PRC	**110**	113	Market approach	Market unit rate, mainly taking into account the time, location and floor level, between the comparables, which is ranging from RMB160,000 to RMB180,000 (2022: RMB180,000 to RMB190,000) per slot	An increase in the market unit rate used would result in an increase in the fair value of the car parks, and vice versa.
Offices in Japan	**1,605**	1,651	Market approach	Market unit rate, including time, location, quality, floor level and size, between the comparables, which is ranging from YEN102,793 to YEN206,337 (2022: YEN141,573 to YEN229,705) per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.

Notes to the Consolidated Financial Statements

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

FAIR VALUE MEASUREMENT OF THE INDUSTRIAL BUILDINGS, OFFICES AND CAR PARKS (CONTINUED)

Description	Fair value at 31.12.2023 HK$'000	Fair value at 31.12.2022 HK$'000	Valuation techniques	Significant unobservable inputs	Sensitivity
Office in the USA	**19,097**	18,185	Market approach	Market unit rate, including time, location, quality, floor level and size, between the comparables, which is ranging from US$244 to US$527 (2022: US$242 to US$388)	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Offices in Thailand	**3,805**	6,708	Market approach	Market unit rate, including time, location, quality, floor level and size, between the comparables, which is ranging from Baht42,500 to Baht48,469 (2022: Baht40,312 to Baht 45,112) per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
	116,872	118,481			

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

If the industrial buildings, offices and car parks of the Group had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation and their carrying amount would have been approximately HK$34,518,000 (2022: HK$36,900,000) as at 31 December 2023.

17. INVESTMENT PROPERTIES

	Investment properties *HK$'000*
FAIR VALUE	
At 1 January 2022	–
Transfers from property, plant and equipment *(Note 16)*	12,649
Net decrease in fair value recognised in profit or loss	(88)
Exchange adjustments	(418)
At 31 December 2022	12,143
Transfers from property, plant and equipment *(Note 16)*	2,835
Net increase in fair value recognised in profit or loss	367
Exchange adjustments	(302)
At 31 December 2023	15,043

The Group leased out certain properties with lease terms of 1 to 6 years to earn rental.

During the year ended 31 December 2023, the Group leased out certain offices in Thailand with lease term of 2 years (2022: certain properties with lease term of 1 to 6 years) to earn rentals. Accordingly, the related properties of HK$2,835,000 (2022: HK$12,649,000, including leasehold land presented as right-of-use assets of HK$5,309,000) was transferred to investment properties. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

The fair value of the Group's investment properties as at 31 December 2023 and 2022 and at date of transfer have been arrived at on the basis of a valuation carried out on the respective dates by ROMA, an independent qualified professional valuers not connected to the Group.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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17. INVESTMENT PROPERTIES (CONTINUED)

The following table shows the valuation techniques and significant unobservable inputs used in determination of the fair values of the investment properties:

Description	Fair value at 31.12.2023 HK$'000	Fair value at 31.12.2022 HK$'000	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Car park in Hong Kong	**1,100**	1,200	Market approach	Market unit rate, mainly taking into account the time, location and floor level, between the comparables, which is ranging from HK$990,000 to HK$1,450,000 (2022:HK$1,200,000 to HK$1,380,000) per slot	An increase in the market unit rate used would result in an increase in the fair value of the car parks, and vice versa.
				Offices	**Offices**
Offices and factories in the PRC	**11,018**	10,943	Market approach	Offices Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from RMB15,500 to RMB30,000 (2022: RMB15,600 to RMB26,000) per square meter	An increase in the market unit rate used would result in a increase in the fair value of the properties, and vice versa.
				Factories	**Factories**
				Market unit rate, mainly taking into account the time, location, quality, and size, between the comparables, which is ranging from RMB254 to RMB360 (2022: RMB269 to RMB270) per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Offices in Thailand	**2,925**	–	Market approach	Market unit rate, including time, location, quality, floor level and size, between the comparables, which is ranging from Baht 42,500 to Baht 48,469 per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa
	15,043	12,143			

The fair value measurement is categorised into Level 3 fair value hierarchy.

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18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 **HK$'000**	2022 HK$'000
Non-current assets		
Financial assets measured at FVTPL		
– Life insurance contracts *(Note (a))*	**41,790**	40,013
– Investment fund *(Note (b))*	**2,010**	2,659
	43,800	42,672

These investments are not held for trading but for long-term strategic purposes.

Notes:

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

The deposits placed for the life insurance contracts carries guaranteed interests at interest rates ranging from 1.80% to 5.00% (2022: 1.80% to 5.00%) per annum plus a premium determined by counterparty during the tenures of the contracts.

Particulars of the insurance contracts are as follows:

Insured sum *HK$'000*	**Upfront and instalment payment** *HK$'000*	**Interest rates**
2023		
1,000 to 23,340	201 to 15,628	1.80% to 5.00% per annum
2022		
1,000 to 23,340	201 to 15,628	1.80% to 5.00% per annum

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18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Notes: (Continued)

(b) The Group has subscribed for an investment fund, which mainly invests in listed shares in areas including Hong Kong. The fair value of this investment fund was determined by adopting the net asset value approach. The investment manager determines the net asset values of the investment fund by using methodology based on relevant comparable data to quantify the adjustment from cost or latest transaction price where appropriate, or to justify that cost or latest transaction price is a proper approximation to fair value of the underlying investments held by the investment fund.

19. INVENTORIES

	2023 ***HK$'000***	2022 *HK$'000*
Raw materials	**352,177**	317,880
Work in progress	**98,470**	84,673
Finished goods	**70,712**	73,477
	521,359	476,030

20. TRADE AND OTHER RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables – contracts with customers	**215,131**	195,639
Less: Allowance of credit losses	**(205)**	(151)
	214,926	195,488
Other receivables	**21,840**	22,152
Consideration receivables *(note 37)*	**11,997**	–
Other tax receivables	**6,847**	3,312
Prepayments	**6,881**	7,763
Deposits paid to suppliers	**11,771**	5,843
Deposits for acquisition of property, plant and equipment	**6,542**	4,231
Property rental deposits	**1,011**	907
	281,815	239,696
Analysis for reporting purpose as:		
Non-current assets	**7,553**	5,138
Current assets	**274,262**	234,558
	281,815	239,696

As at 1 January 2022, trade receivables from contracts with customers amounted to HK$234,653,000.

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

	2023	2022
	HK$'000	*HK$'000*
0–60 days	**150,053**	134,966
61–90 days	**46,294**	36,769
91–120 days	**10,888**	16,326
Over 120 days	**7,691**	7,427
	214,926	195,488

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20. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group normally allows a credit period within 30 to 90 days (2022: within 30 to 90 days) to its customers. A longer credit period may be granted to large or long-established customers with good payment history.

Before accepting any new customers, the Group has an internal credit control system to assess the potential customers' credit quality and the board of directors has delegated the management to be responsible for determination of credit limits and credit approvals for customers. Limits attributed to customers are reviewed periodically.

As at 31 December 2023, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$29,200,000 (2022: HK$24,423,000) are past due at the reporting date. Out of the past due balance, HK$4,141,000 (2022: HK$3,150,000) has been past due 90 days or more and is not considered as in default due to long and on-going business relationship and good repayment record from these customers.

The Group does not hold any collateral over the balances.

Details of impairment assessment of trade and other receivables are set out in Note 36.

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

21. PLEDGED BANK DEPOSITS

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

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

	2023 ***HK$'000***	2022 *HK$'000*
HK$	**61,759**	15,248

The deposits carry fixed interest rate ranging from 0.001% to 5.27% (2022: 0% to 4.11%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank and other borrowings.

Details of impairment assessment of pledged bank deposits are set out in Note 36.

22. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include short-term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0% to 5.27% (2022: 0% to 0.625%).

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

	2023	2022
	HK$'000	*HK$'000*
HK$	**13,414**	4,526

Details of impairment assessment of bank balances are set out in Note 36.

23. NON-CURRENT ASSETS HELD FOR SALE

On 19 August 2022, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group agreed to sell its entire equity interest in its wholly-owned subsidiary, Evergreen Ukraine Investment Limited, which held an office building in Ukraine, at a cash consideration of HK$10,000,000 and assignment of shareholder's loan of HK$4,997,000 as at the date of the completion of disposal.

The major classes of assets related to the Evergreen Ukraine Investment Limited as at 31 December 2022, which have been presented separately in the consolidated statement of financial position, are as follows:

	31.12.2022
	HK$'000
Property, plant and equipment	9,248
Cash and cash equivalents	62
Other assets	1
Total assets classified as held for sale	9,311

Cumulative amount of HK$1,272,000 relating to the non-current assets classified as held for sale has been recognised in other comprehensive income and included in equity.

The disposal was completed on 30 April 2023 in which the Group lost control of Evergreen Ukraine Investment Limited. Details of the disposal are set out in Note 37.

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24. TRADE AND OTHER PAYABLES

	2023 HK$'000	2022 HK$'000
Trade payables	**73,729**	35,380
Accrued staff costs	**32,671**	23,953
Accruals and other payables	**7,837**	9,991
Other employee liabilities	**17,392**	18,325
	131,629	87,649

Credit period on purchases of goods is granted from 0–120 days but the Group will normally settle within 60 days. The following is an aged analysis of trade payables presented based on invoice date at the end of each reporting period:

	2023 HK$'000	2022 HK$'000
0–60 days	**39,934**	35,380
61–120 days	**2**	–
Over 120 days *(Note)*	**33,793**	–
	73,729	35,380

Note: During the year ended 31 December 2023, certain suppliers have initiated lawsuits against Evergreen Products Factory (YZ) Co. Ltd, a wholly-owned subsidiary of the Company in the PRC (the "**Subsidiary**") to demand immediate settlement of trade payables with a carrying amount of HK$33,793,000 plus interest for late payment. The decision of the second-trial instance of the People's Court in the PRC was made during the year ended 31 December 2023 and the Subsidiary was required to pay all the outstanding trade payables and the related interest of HK$981,000 and certain right-of-use assets with a carrying amount of HK$4,537,000 and other property plant and equipment with a carrying amount of HK$2,226,000 were frozen. The management are in the process of negotiation with the corresponding suppliers to settle these amounts out of court. Based on legal opinion, the directors of the Company opine that the possibility of an additional outflow of economic resources is remote. Hence, no further accrual of potential interest or other penalties was made.

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

	2023 HK$'000	2022 HK$'000
HK$	**27,352**	20,935

25. CONTRACT LIABILITIES

	2023 **HK$'000**	2022 HK$'000
Receipt in advance for sale of hair products	**10,832**	7,100

As at 1 January 2022, contract liabilities amounted to HK$8,791,000.

Contract liabilities represent amounts received in advance for sale of hair products. During the year ended 31 December 2023, the Group has recognised revenue of HK$7,100,000 (2022: HK$8,791,000) that was included in the contract liabilities balance at the beginning of the respective year.

Contract liabilities are classified as current as they are expected to be settled within the Group's normal operating cycle. The balance of contract liabilities has increased mainly due to increase of pre-order for future sales during the year.

26. AMOUNTS DUE TO A RELATED COMPANY/A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

Amount due to a related company represented the amount due to Hopcom Software Company Limited of which is controlled by Mr. Chang Yoe Chong Felix, who is a director and shareholder of the Company. The amount is non-trade nature, unsecured, interest bearing at Hong Kong Interbank Offered Rate ("**HIBOR**") plus 3.5% and repayable on demand for both years.

The amount due to a non-controlling shareholder of a subsidiary is of non-trade nature, unsecured, interest-free and repayable on demand for both years.

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27. SECURED BANK AND OTHER BORROWINGS/BANK OVERDRAFTS

	2023	2022
	HK$'000	*HK$'000*
Secured:		
Bank overdrafts	**–**	18,491
Bank borrowings	**454,243**	459,637
Bank borrowings under supplier financing arrangement *(Note)*	**130,034**	44,671
Other borrowing	**19,458**	17,455
	603,735	540,254

Note: The Group has entered into certain supplier finance arrangements with banks. Under these arrangements, the banks pay suppliers the amounts owed by the Group in advance of the original due dates at a discount offered by the suppliers. The Group's obligations to suppliers are legally extinguished on settlement by the relevant banks. The Group then settles with the banks between 60–120 days (2022: 60–120 days) after settlement by the banks. The interest rates are consistent with the Group's short-term borrowing rates.

Taking into consideration the nature and substance of the above arrangements, the Group presents payables to the banks under these arrangements as "secured bank and other borrowings" in the consolidated statement of financial position. In the consolidated statement of cash flows, repayments to the banks are included within financing cash flows based on the nature of the arrangements, and payments to the suppliers by the banks are disclosed as non-cash transactions.

27. SECURED BANK AND OTHER BORROWINGS/BANK OVERDRAFTS (CONTINUED)

The carrying amounts of the borrowings are analysed as follows:

Bank and other borrowings with repayment on demand clause are classified as current liabilities on the consolidated statement of financial position. The Group's bank and other borrowings are payable as follows:

	2023 ***HK$'000***	2022 *HK$'000*
Bank overdrafts	**–**	18,491
Bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	**511,017**	435,710
Within a period of more than one year but not exceeding two years	**7,054**	3,884
Within a period of more than two years but not exceeding five years	**21,611**	3,479
Exceeding five years	**98**	1,163
	539,780	444,236
Bank borrowings that are repayable *(note)*		
Within one year	**9,325**	46,041
Within a period of more than one year but not exceeding two years	**3,634**	1,192
Within a period of more than two years but not exceeding five years	**23,672**	5,591
Exceeding five years	**7,866**	7,248
	44,497	60,072
Other borrowings that contain a repayable on demand clause (shown under current liabilities) but repayable:		
Within one year	**14,770**	13,937
Within one year from the end of the reporting period but not exceeding two years	**4,688**	3,518
Total	**19,458**	17,455

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

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27. SECURED BANK AND OTHER BORROWINGS/BANK OVERDRAFTS (CONTINUED)

	2023 ***HK$'000***	2022 *HK$'000*
Amounts due within one year shown under current liabilities		
Comprising:		
Bank overdrafts	**–**	18,491
Bank and other borrowings	**568,563**	507,732
	568,563	526,223
Amounts shown under non-current liabilities		
Comprising:		
Bank and other borrowings	**35,172**	14,031
Total	**603,735**	540,254

The exposure of the Group's borrowings are as follows:

	2023 ***HK$'000***	2022 *HK$'000*
Fixed-rate borrowings	**14,899**	15,009
Variable-rate borrowings	**588,836**	525,245
	603,735	540,254

27. SECURED BANK AND OTHER BORROWINGS/BANK OVERDRAFTS (CONTINUED)

The Group's variable-rate bank borrowings carry interest with reference to HIBOR, PRC Loan Prime Rate, US$ Best Lending Rate, and Hong Kong Dollar Loan Prime Rate plus/minus a specific margin of the relevant banks. (2022: HIBOR, London Inter-Bank Offered Rate ("**LIBOR**") and Hong Kong Dollar Prime Rate, US$ Prime Rate, PRC Loan Prime Rate and US$ Best Lending Rate, and Secured Overnight Financing Rate ("**SOFR**") plus/minus a specific margin of the relevant banks.) The range of effective interest rates (which are also equaled to contractual interest rates) on the Group's bank borrowings are as follows:

	2023	2022
Effective interest rate:		
Variable-rate borrowings	**3.90% to 8.77%**	4.30% to 8.77%
Fixed-rate borrowings	**0.90% to 4.25%**	1.19% to 4.25%

The other borrowings carries interest at HIBOR plus 1.5% (2022: LIBOR plus 2.75% and HIBOR plus 1.5%) per annum and were secured by the Group's bank deposits of approximately HK$6,500,000 (2022: HK$6,668,000).

As at 31 December 2023 and 2022, the Group's banking facilities of HK$584,277,000 (2022: HK$555,854,000) were secured by:

(a) pledge of the Group's bank deposits of approximately HK$87,084,000 (2022: HK$85,184,000);

(b) the Group's land and buildings and carparks in Hong Kong of approximately HK$84,501,000 (2022: HK$89,394,000);

(c) the Group's land and buildings of approximately HK$22,291,000 (2022: HK$28,400,000);

(d) investment properties in the PRC of approximately HK$Nil (2022: HK$9,251,000);

(e) negative pledge on the assets of certain subsidiaries in the PRC and Bangladesh; and

(f) certain life insurance contracts classified as financial assets at FVTPL of the Group.

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

	2023 ***HK$'000***	2022 *HK$'000*
HK$	**559,238**	143,414

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27. SECURED BANK AND OTHER BORROWINGS/BANK OVERDRAFTS (CONTINUED)

LOAN COVENANTS

In respect of the bank and other borrowings with carrying amount of HK$120,116,000 as at 31 December 2023 (2022: HK$115,038,000), the Group is required to comply with the following financial covenants throughout the continuance of the relevant loan and/or as long as the loan is outstanding:

(i) the consolidated tangible net worth at any time shall not be less than HK$500,000,000;

(ii) the consolidated bank borrowings less pledged bank deposits and bank balances and cash shall not be more than HK$650,000,000; and

(iii) the ratio of the consolidated net profits before interest, taxation, depreciation and amortisation and bank balances and cash in respect of any relevant period to the interests and principal repayment of bank borrowings of that relevant period shall not be less than 1:1.

The Group has complied with these covenants as at 31 December 2022 and 2023.

28. LEASE LIABILITIES

	2023 **HK$'000**	2022 HK$'000
Lease liabilities payable:		
Within one year	**1,844**	1,424
Within a period of more than one year but not exceeding two years	**943**	794
Within a period of more than two years but not exceeding five years	**1,687**	795
Exceeding five years	**6,793**	6,635
	11,267	9,648
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,844)**	(1,424)
Amount due for settlement after 12 months shown under non-current liabilities	**9,423**	8,224

The weighted average incremental borrowing rates applied to lease liabilities from 2.75% to 7.20% (2022: from 2.75% to 7.30%).

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29. SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital *US$'000*
Ordinary shares of US$0.01 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 31 December 2023	**1,000,000,000**	**10,000**
Issued and fully paid		
At as 1 January 2022 and 31 December 2022	686,082,000	6,861
Shares repurchased and cancelled *(Note)*	(30,430,000)	(304)
At as 31 December 2023	**655,652,000**	**6,557**

Shown in the consolidated financial statements as:

	Amount *HK$'000*
At 31 December 2023	**51,010**
At 31 December 2022	53,377

Note: During the year ended 31 December 2023, the Company repurchased and cancelled 30,430,000 of its own ordinary shares through the Hong Kong Stock Exchange, and the total amount paid of HK$19,766,000 to acquire the cancelled shares of HK$2,367,454 was deducted from equity.

Month of repurchase	Number of ordinary shares repurchased *'000*	Price per share Highest *HK$*	Price per share Lowest *HK$*	Aggregate consideration paid *HK$'000*
September 2023	15,870	0.65	0.63	10,256
October 2023	14,560	0.65	0.64	9,510
	30,430			19,766

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30. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Revaluation of land and buildings HK$'000	Accelerated accounting depreciation HK$'000	Total HK$'000
At 1 January 2022	6,557	(780)	5,777
Charge to equity	2,454	–	2,454
(Credit) charge to profit and loss *(Note 13)*	(476)	373	(103)
Exchange adjustment	–	(648)	(648)
At 31 December 2022	**8,535**	**(1,055)**	**7,480**
Charge to equity	**12**	**–**	**12**
Charge to profit or loss *(Note 13)*	**–**	**635**	**635**
Exchange adjustment	**–**	**(310)**	**(310)**
At 31 December 2023	**8,547**	**(730)**	**7,817**

Under the tax law of Bangladesh, withholding tax is imposed on dividends declared in respect of profits earned by Bangladesh subsidiaries. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Bangladesh subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The Group has unused tax losses of approximately HK$528,511,000 (2022: HK$543,626,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

31. SHARE BASED PAYMENT TRANSACTIONS

SHARE OPTION SCHEMES

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

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

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

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

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

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

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31. SHARE BASED PAYMENT TRANSACTIONS (CONTINUED)

SHARE AWARD SCHEME

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

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

As at 31 December 2023 and 31 December 2022, all shares have been granted and vested and nil ordinary shares of the Company were held by the trustee of the Share Award Scheme.

32. RETIREMENT BENEFITS SCHEME

DEFINED CONTRIBUTION SCHEMES

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

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

Provident fund in Bangladesh is not mandatory but the subsidiaries are required to create such a fund once three-fourth of the eligible employees demand so. If they demand so, the employees of the Group's factories in Bangladesh will be covered by a company self-managed provident fund operated by respective subsidiaries of the Group in Bangladesh. Relevant subsidiaries will be required to contribute a minimum specified percentage of payroll costs to the provident fund to fund the benefits. The minimum contribution for the eligible employees is 8.33% of their basic salaries. Those subsidiaries are obliged to set up the trustee board for managing the contribution to the provident fund with participation from both of the company management team and the employees.

32. RETIREMENT BENEFITS SCHEME (CONTINUED)

DEFINED CONTRIBUTION SCHEMES (CONTINUED)

Provident fund in other jurisdictions is based on the local government policy.

During the year ended 31 December 2023, the total retirement benefits scheme contribution arising from the MPF Scheme and state-managed retirement benefit scheme charged to profit or loss were HK$4,836,000 (2022: HK$10,798,000).

OBLIGATION TO PAY LONG SERVICE PAYMENT ("LSP") UNDER HONG KONG EMPLOYMENT ORDINANCE CHAPTER 57

Pursuant to the Employment Ordinance, Chapter 57, the subsidiaries operating in Hong Kong of the Group have the obligation to pay LSP to qualifying employees in Hong Kong upon certain circumstances (e.g. dismissed by employers or upon retirement), subject to a minimum of 5 years employment period, based on the certain formula. Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof, for the purpose of offsetting LSP payable to an employee.

The Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was gazetted on 17 June 2022, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP (the "**Abolition**"). The Abolition will officially take effect on the Transition Date (i.e., 1 May 2025). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

The Group's LSP obligation, taking into consideration the Abolition, is considered to be insignificant as at 31 December 2023 and 2022.

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33. CAPITAL COMMITMENT

	2023	2022
	HK$'000	*HK$'000*
Contracted but not provided in the consolidated financial statements in respect of the acquisition of land for construction	**649**	608

34. RELATED PARTY TRANSACTIONS

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

(A)

	2023	2022
	HK$'000	*HK$'000*
Computer products and service expenses	**1,080**	1,080

Note: The Group entered into transactions with Hopcom Software Company Limited which is controlled by Mr. Chang Yoe Chong, Felix, who is also the director and controlling shareholder of the Company.

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The directors of the Company identified as key management member of the Group, and their compensation during the years was set out in Note 12. The remuneration of key management personnel is determined with regards to the performance of individuals and market trends.

35. CAPITAL RISK MANAGEMENT

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

The capital structure of the Group consists of debts which includes secured bank and other borrowings disclosed in Note 27, lease liabilities disclosed in Note 28, net of cash and cash equivalents and equity attributable to owners of the Group, comprising issued share capital, other reserves and retained profits.

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

36. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2023	2022
	HK$'000	*HK$'000*
Financial assets		
Financial assets at amortised cost	**433,941**	389,073
Financial assets at FVTPL	**43,800**	42,672
	477,741	431,745
Financial liabilities		
Amortised cost	**686,852**	598,477

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36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, financial assets at FVTPL, pledged bank deposits, bank balances and cash, trade and other payables, secured bank and other borrowings, bank overdrafts, amounts due to a non-controlling shareholder of a subsidiary and a related company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group undertakes certain operating transactions in foreign currency, which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should such need arise.

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

	Liabilities		**Assets**	
	2023	2022	**2023**	2022
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Australian dollars	**–**	–	**658**	642
Canadian dollars	**–**	–	**1,151**	1,143
Euro dollars	**–**	–	**1,343**	1,351
Great British Pound	**–**	–	**743**	705
RMB	**14,968**	9,527	**2,448**	1,385
HK$	**572,163**	164,349	**146,294**	19,774

36. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (Continued)

Currency risk (Continued)

The directors of the Company consider that the Group is exposed to minimal currency risk as HK$ is pegged to US$ which is the functional currency of certain group entities, and the exposure to other foreign currencies is not significant. Sensitivity on foreign currency risk is therefore not presented.

Other price risk

The Group is exposed to other price risk arising from investment fund and life insurance contracts which were classified as financial assets at FVTPL.

Sensitivity analysis

No sensitivity analysis of investment funds and life insurance contracts are presented as a reasonably possible change in the net asset value and account values would not have significant impact on the profit of the Group.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings (see Note 27 for these borrowings), lease liabilities (see Note 28 for details) and pledged bank deposits (see Note 21 for details) which carried fixed interest rate.

The Group is exposed to cash flow interest rate risk in relation to bank balances (see note 22 for details) and variable-rate bank and other borrowings (see Note 27 for details of these borrowings). The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. From time to time, if interest rate fluctuates significantly, interest rate swaps may be used to convert some of the floating interest rates borrowings to fixed rates, to manage interest rate exposure.

The Group's exposures to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime Rate, HIBOR and PRC Loan Prime Rate, SOFR, arising from the Group's HK$ and RMB borrowings.

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For the year ended 31 December 2023

36. FINANCIAL INSTRUMENTS (CONTINUED)

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

Market risk (Continued)

Interest rate risk (Continued)

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

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2022: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2022: 100 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2023 would decrease/increase by approximately HK$4,917,000 (2022: HK$4,386,000) respectively.

Credit risk and impairment assessment

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

Pledged bank deposits and bank balances

The credit risk on pledged bank deposits and bank balances are limited because the counterparties are banks with sound credit ratings Aa–B (2022: Aa–B) assigned by international credit-rating agencies. The Group assessed 12m ECL for bank balances and pledged bank deposits by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the Group assessed that the 12m ECL on bank balances and pledged bank deposits were insignificant and thus no loss allowance was recognised.

36. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment (Continued)

Trade receivables

The Group has concentration of credit risk as 32% (2022: 34%) and 83% (2022: 78%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the hair products business segment.

The Group's concentration of credit risk by geographical location is mainly in the USA, which accounts for 97% (2022: 97%) of the total trade receivables as at 31 December 2023. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year.

The ECL on trade receivables are assessed individually.

The tables below detail the credit risk exposures of the Group's trade receivables which are subject to ECL assessment:

	Note	**Internal management assessment**	**12m or lifetime ECL**	**Gross carrying amount**	
				2023	2022
				HK$'000	*HK$'000*
Trade receivables	*20*	Note 1	Lifetime ECL (not credit-impaired)	**215,131**	195,639

Note: These amounts are assessed individually by applying lifetime ECL approach based on historical default and loss data and adjusted for forward-looking factors.

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36. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment (Continued)

Trade receivables (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) *HK$'000*	Lifetime ECL (credit-impaired) *HK$'000*	Total *HK$'000*
As at 1 January 2022	122	1,650	1,772
Changes due to financial instruments recognised as at 1 January 2022:			
– Reversal of impairment losses recognised	(122)	–	(122)
New financial assets originated:			
– impairment losses recognised	151	150	301
– Write-off *(Note)*	–	(1,800)	(1,800)
As at 31 December 2022	**151**	**–**	**151**
New financial assets originated:			
– impairment losses recognised	**54**	**–**	**54**
As at 31 December 2023	**205**	**–**	**205**

Note: The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

36. FINANCIAL INSTRUMENTS (CONTINUED)

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

Credit risk and impairment assessment (Continued)

Other receivables and deposits

For other receivables and deposits, the directors of the Group make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. In the opinion of the directors of the Company, the internal credit rating of the related debtors is at low risk. Except for the credit-impaired other receivables amounting to HK$1,999,000 as at 31 December 2023, the management of the Group believes that there are no significant increase in credit risk of the remaining other receivables and deposits since initial recognition and the Group provided impairment based on 12m ECL. The Group assessed that the 12m ECL on other receivables and deposits with a total gross carrying amount of HK$34,848,000 as at 31 December 2023 (2022: HK$23,059,000) are insignificant and thus no impairment loss allowance was recognised.

Liquidity risk

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

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

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

Notes to the Consolidated Financial Statements

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36. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (Continued)

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

	Weighted average interest rate %	On demand *HK$'000*	Within 1 year *HK$'000*	1–5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 December 2023							
Financial liabilities							
Trade and other payables	–	42,319	32,272	–	–	74,591	74,591
Amount due to a non-controlling shareholder of a subsidiary	–	2,376	–	–	–	2,376	2,376
Amount due to a related company	8.77	6,150	–	–	–	6,150	6,150
Secured bank and other borrowings	6.86	568,052	9,992	29,549	8,718	616,311	603,735
Lease liabilities	7.20	–	2,420	4,615	10,895	17,930	11,267
		618,897	44,684	34,164	19,613	717,358	698,119

36. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (Continued)

	Weighted average interest rate %	On demand *HK$'000*	Within 1 year *HK$'000*	1–5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 December 2022							
Financial liabilities							
Trade and other payables	–	5,881	29,499	–	–	35,380	35,380
Amount due to a non-controlling shareholder of a subsidiary	–	12,093	–	–	–	12,093	12,093
Amount due to a related company	7.85	10,750	–	–	–	10,750	10,750
Secured bank and other borrowings	6.88	464,135	47,471	7,972	8,223	527,801	521,763
Bank overdrafts	8.77	18,491	–	–		18,491	18,491
Lease liabilities	7.02	–	2,072	6,154	12,627	20,853	9,648
		511,350	79,042	14,126	20,850	625,368	608,125

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36. FINANCIAL INSTRUMENTS (CONTINUED)

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

Liquidity risk (Continued)

Secured bank and other borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2023, the aggregate carrying amounts of these secured bank and other borrowings amounted to approximately HK$559,238,000 (2022: HK$480,182,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity analysis – Secured bank and other borrowings with a repayment on demand clause based on scheduled repayments

	Interest rate *%*	Less than 1 year *HK$'000*	1–5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flow *HK$'000*	Carrying amount *HK$'000*
31 December 2023	**7.13**	**529,701**	**38,251**	**100**	**568,052**	**559,238**
31 December 2022	7.12	469,633	11,793	1,200	482,626	480,182

36. FINANCIAL INSTRUMENTS (CONTINUED)

(C) FAIR VALUE INSTRUMENTS OF FINANCIAL INSTRUMENTS

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

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

Financial assets	Fair value		Fair value hierarchy	Valuation techniques and key inputs
	2023	2022		
	HK$'000	*HK$'000*		
Investment fund classified as financial assets at FVTPL	**Assets – 2,010**	Assets – 2,659	Level 3	Based on the net asset values of the investment fund
Life insurance contracts classified as financial assets at FVTPL *(Note)*	**Assets – 41,790**	Assets – 40,013	Level 3	Account values quoted by insurance companies

Note: The returns of these financial assets represent the guaranteed interest plus a premium determined by the insurance companies and the related surrender charge is for termination of the life insurance contracts including the investment component. The directors of the Company consider the account values, which represents the surrender rate, quoted by the insurance companies as at 31 December 2023 and 31 December 2022 approximate the fair value.

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36. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

Reconciliation of Level 3 fair value measurements

	Investments fund *HK$'000*	Life insurance contracts *HK$'000*	Total *HK$'000*
At 1 January 2022	–	20,371	20,371
Purchased	3,893	23,215	27,108
Change in fair value charged to profit or loss	(1,234)	(3,573)	(4,807)
At 31 December 2022	**2,659**	**40,013**	**42,672**
Purchased	**1,681**	**566**	**2,247**
Change in fair value (charged) credit to profit or loss	**(2,330)**	**1,211**	**(1,119)**
At 31 December 2023	**2,010**	**41,790**	**43,800**

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 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.

37. DISPOSAL OF A SUBSIDIARY

On 19 August 2022, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group agreed to sell its entire equity interest in its wholly-owned subsidiary, Evergreen Ukraine Investment Limited, which held an office building in Ukraine, at a cash consideration of HK$10,000,000 and assignment of shareholder's loan of HK$4,997,000 as at the date of the completion of disposal. The disposal was completed on 30 April 2023 in which the Group lost control of Evergreen Ukraine Investment Limited. The transaction has resulted in the Group recognising a gain of HK$3,839,000. The net assets of Evergreen Ukraine Investment Limited at the date of disposal were as follows:

Analysis of assets over which control was lost:

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

Gain on disposal of the subsidiary:

	HK$'000
Cash consideration	10,000
Assignment of shareholder's loan	4,997
Net assets disposed of	(9,311)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity to profit or loss	(1,847)
Gain on disposal of subsidiary	3,839

Net cash inflow arising on disposal of the subsidiary:

	HK$'000
Cash consideration	14,997
Less: Consideration receivable	(11,997)
Less: bank balances and cash disposed of	(62)
Net cash inflow	2,938

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38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Amount due to a related company *HK$'000*	Amount due to a non-controlling shareholder of a subsidiary *HK$'000*	Secured bank and other borrowings *HK$'000*	Dividend payable *HK$'000*	Bank overdrafts *HK$'000*	Lease liabilities *HK$'000*	Total *HK$'000*
At 1 January 2022	4,300	6,021	616,464	–	42,088	12,086	680,959
Finance costs	330	–	28,698	–	–	798	29,826
New lease entered	–	–	–	–	–	780	780
Supply chain financing *(Note 39)*	–	–	229,574	–	–	–	229,574
Dividends recognised	–	–	–	19,210	–	–	19,210
Financial cash flows	6,120	6,268	(339,319)	(19,210)	(18,742)	(3,522)	(368,405)
Exchange adjustment	–	(196)	(13,654)	–	(4,855)	(494)	(19,199)
At 31 December 2022	**10,750**	**12,093**	**521,763**	**–**	**18,491**	**9,648**	**572,745**
Finance costs	**442**	**–**	**34,398**	**–**	**–**	**989**	**35,829**
New lease entered	**–**	**–**	**–**	**–**	**–**	**3,248**	**3,248**
Supply chain financing *(Note 39)*	**–**	**–**	**287,500**	**–**	**–**	**–**	**287,500**
Dividends recognised	**–**	**–**	**–**	**54,200**	**–**	**–**	**54,200**
Financial cash flows	**(5,042)**	**(9,535)**	**(233,955)**	**(54,200)**	**(17,553)**	**(2,841)**	**(323,126)**
Exchange adjustment	**–**	**(182)**	**(5,971)**	**–**	**(938)**	**223**	**(6,868)**
At 31 December 2023	**6,150**	**2,376**	**603,735**	**–**	**–**	**11,267**	**623,528**

39. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leasehold lands, leased properties and factory buildings for 2 to 6 years (2022: leasehold lands and factory buildings for 3 to 4 years). On the lease commencement, the Group recognised HK$3,248,000 of right-of-use assets under property, plant and equipment and of HK$3,248,000 lease liabilities (2022: HK$780,000 of right-of-use assets under property, plant and equipment and of HK$780,000 lease liabilities).

During the year, bank borrowings under supply chain financing arrangements of HK$287,500,000 (2022: HK$229,574,000) represent the payments to the suppliers by the relevant banks directly.

40. OPERATING LEASING ARRANGEMENTS

THE GROUP AS LESSOR

All of the properties are held by the Group for rental purposes have committed lessees for the next four years (2022: five years).

Undiscounted lease payments receivable on leases are as follows:

	2023 ***HK$'000***	2022 *HK$'000*
Within one year	**1,008**	861
In the second year	**603**	501
In the third year	**438**	410
In the fourth year	**292**	450
Over the fourth year	**–**	338
	2,341	2,560

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41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31 December 2023 and 2022 are as follows:

Name	Issued and fully paid-up capital/ contributed capital	Attributable equity interest indirectly held by the Company 2023	2022	Place of registration/ operation and incorporation	Principal activities
昆明訓修髮製品有限公司 Kunming Evergreen Hair Products Co., Ltd.*	HK$45,526,000	**100%**	100%	The PRC	Manufacturing and trading of hair products
訓修實業（禹州）有限公司 Evergreen Products Factory (YZ) Co., Ltd.*	US$2,000,000	**100%**	100%	The PRC	Manufacturing and trading of hair products
訓修實業（深圳）有限公司 Evergreen Products Factory (SZ) Co., Ltd.*	US$2,400,000	**100%**	100%	The PRC	Technological development of hair products and property investment
東莞訓修髮製品有限公司 Evergreen Products Factory (DG) Co., Ltd.*	US$1,500,000	**100%**	100%	The PRC	Property holding
深圳訓修髮製品有限公司 Shenzhen Evergreen Hair Products Co., Ltd.#	HK$3,000,000	**100%**	100%	The PRC	Manufacturing and trading of hair products
Evergreen Products Factory (BD) Limited	Taka1,000,050,000	**100%**	100%	Bangladesh	Manufacturing and trading of hair products
EPF Global Enterprises Limited	HK$10,000	**100%**	100%	Hong Kong	Trading of hair products
EPF International Limited	HK$10,000	**100%**	100%	Hong Kong	Trading of hair products
Gold Timing Manufacture (BD) Limited	Taka100,000	**100%**	100%	Bangladesh	Manufacturing and trading of hair products
Wisdom Ocean Limited	HK$10,000	**100%**	100%	Hong Kong	Trading of hair products through internet
Gold Rocket Limited	Taka100,000	**100%**	100%	Bangladesh	Provision of logistic services to group companies

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41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Issued and fully paid-up capital/ contributed capital	Attributable equity interest indirectly held by the Company 2023	2022	Place of registration/ operation and incorporation	Principal activities
Trillion Gold Limited	Taka100,000	**100%**	100%	Bangladesh	Provision of water treatment service to the group companies, manufacturing and trading of hair products
Dong Jin Industrial (BD) Company Limited	Taka100,000	**100%**	100%	Bangladesh	Manufacturing, export and import of hair products
I-Corporation	YEN3,000,000	**100%**	100%	Japan	Trading of hair products
Golden Chance Limited	YEN3,000,000	**100%**	100%	Japan	Trading of hair products through internet
E5 Co., Ltd.	YEN9,000,000	**51%**	51%	Japan	Trading of hair products
Purple Stone Inc.	US$1,000	**100%**	100%	The USA	Property holding
Purple Star Inc.	US$1,000	**100%**	100%	The USA	Trading of hair products through internet
Red Stone Inc.	US$50,000	**100%**	100%	The USA	Property holding
Evergreen Factory	HK$3,000,000	**100%**	100%	Hong Kong	Manufacturing and trading of hair products and investment holdings
Master Purple (BD) Limited	Taka10,000,000	**100%**	100%	Bangladesh	Manufacturing, export and import of hair products
Million Gold Limited	Taka100,000	**100%**	100%	Bangladesh	Manufacturing and trading of hair products

* Limited liability company (solely invested by Taiwan, Hong Kong or Macau legal person) established in the PRC.

Limited liability company (solely invested by Hong Kong legal person) established in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, would result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

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42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

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

	2023 HK$'000	2022 HK$'000
Non-current assets		
Investment in a subsidiary	**545,172**	545,072
Amount due from a subsidiary	**189,806**	266,644
	734,978	811,716
Current assets		
Prepayments and other receivables	**26**	209
Bank balances and cash	**712**	504
	738	713
Current liabilities		
Accruals and other payables	**953**	1,809
Secured bank borrowings	**–**	5,121
	953	6,930
Net current liabilities	**(215)**	(6,217)
	734,763	805,499
Capital and reserves		
Share capital	**51,010**	53,377
Reserves	**683,753**	752,122
Equity attributable to owners of the Company	**734,763**	805,499

43. RESERVES OF THE COMPANY

MOVEMENT IN THE COMPANY'S RESERVES

	Share premium *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2022	466,772	305,981	772,753
Loss and total comprehensive expense for the year	–	(1,421)	(1,421)
Dividends recognised as distribution	–	(19,210)	(19,210)
At 31 December 2022	**466,772**	**285,350**	**752,122**
Profit and total comprehensive income for the year	**–**	**3,230**	**3,230**
Dividends recognised as distribution	**–**	**(54,200)**	**(54,200)**
Share repurchases and cancellation	**(17,399)**	**–**	**(17,399)**
At 31 December 2023	**449,373**	**234,380**	**683,753**

Five-Year Financial Summary

Results	2019 *HK$'000*	2020 *HK$'000*	2021 *HK$'000*	2022 *HK$'000*	**2023** ***HK$'000***
Revenue	777,405	890,201	1,207,420	1,100,375	**979,240**
Gross profit	257,008	152,655	248,808	257,095	**233,233**
Profit (loss) before tax	86,794	(17,350)	62,303	62,247	**54,787**
Profit (loss) for the year	86,200	(17,982)	57,075	58,308	**48,224**
Attributable to:					
Owners of the Company	90,328	(16,176)	54,067	66,289	**51,011**
Non-controlling interests	(4,128)	(1,806)	3,008	(7,981)	**(2,787)**
Basic earnings (losses) per share (HK$ cents)	0.15	(0.02)	0.08	0.10	**0.08**
Dividends	19,704	–	16,466	37,048	**28,815**

Assets and liabilities	2019 *HK$'000*	2020 *HK$'000*	2021 *HK$'000*	2022 *HK$'000*	**2023** ***HK$'000***
Non-current assets	796,052	776,970	773,879	678,665	**646,996**
Current assets	925,928	980,220	942,097	891,908	**984,570**
Current liabilities	837,219	859,614	720,411	652,750	**734,054**
Net current assets	88,709	120,606	221,686	239,158	**250,516**
Non-current liabilities	18,865	24,621	73,874	29,735	**52,412**
Net assets	865,896	872,955	921,691	888,088	**845,100**