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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2017 amounted to HK$647.3 million, representing an increase of 8.7% from HK$595.7 million for the year ended 31 December 2016.

- Gross profit for the year ended 31 December 2017 amounted to HK$230.2 million, representing an increase of 8.9% from HK$211.3 million for the year ended 31 December 2016.

- Net profit for the year ended 31 December 2017 amounted to HK$109.5 million, representing an increase of 233.8% from HK$32.8 million for the year ended 31 December 2016, primarily attributable to: (i) two one-off and non-recurring Listing-related items including a gain of HK$32.1 million from a change in fair value of redeemable convertible preferred shares (2016: loss of HK$39.3 million) and net off against the listing expenses of HK$15.3 million (2016: HK$14.0 million); and (ii) an increase in net profit arising from the manufacturing and sale of hair products. Without taking into account the listing expenses of HK$15.3 million and the change in fair value of redeemable convertible preferred shares of HK$32.1 million recognised during the year ended 31 December 2017, the Group's adjusted net profit for the year ended 31 December 2017 was HK$92.7 million, representing an increase of HK$6.6 million, or 7.7%, as compared with HK$86.1 million for the year ended 31 December 2016.

- Basic and diluted earnings per Share attributable to equity shareholders of the Company for the year ended 31 December 2017 were approximately HK24 cents and HK15 cents, respectively, representing an increase of approximately 140.0% and 50.0%, respectively, as compared with the year ended 31 December 2016.

- As at 31 December 2017, the gearing ratio of the Group, which is equivalent to total interest-bearing debt (including secured bank borrowings, obligations under finance leases and the Preferred Shares) divided by total equity, was 75.3% as compared to 495.4% as at 31 December 2016.

- The Board has recommended the payment of a final dividend of HK8.13 cents per Share for the year ended 31 December 2017 (2016: Nil). The dividend payout ratio for the year ended 31 December 2017 was approximately 45.7% (2016: Nil).

CONSOLIDATED ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Evergreen Products Group Limited (the "**Company**") hereby announces the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2017 (the "**Year**") as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Revenue	5	**647,343**	595,682
Cost of goods sold		**(417,123)**	(384,429)
Gross profit		**230,220**	211,253
Other income	7	**4,055**	2,714
Other gains and losses	8	**(4,084)**	(4,848)
Change in fair value of redeemable convertible preferred shares	20	**32,100**	(39,344)
Distribution and selling expenses		**(15,720)**	(12,898)
Administrative expenses		**(105,695)**	(87,383)
Other expenses	9	**(17,956)**	(14,915)
Finance costs	10	**(12,505)**	(17,562)
Profit before tax	11	**110,415**	37,017
Income tax expense	12	**(951)**	(4,260)
Profit for the year		**109,464**	32,757
Other comprehensive income (expense) for the year:			
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of land and buildings		**16,141**	5,688
Deferred tax arising from revaluation of land and buildings		**(1,396)**	(513)
		14,745	5,175
Items that may be reclassified subsequently to profit or loss:			
Loss on fair value change of available-for-sale investments		**–**	(573)
Reclassification adjustment relating to disposal of available-for-sale investments		**–**	1,275
Exchange differences arising from translation of foreign operations		**(2,541)**	(7,349)
		(2,541)	(6,647)
Other comprehensive income (expense) for the year, net of income tax		**12,204**	(1,472)
Total comprehensive income for the year		**121,668**	31,285

	NOTES	2017 HK$'000	2016 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**110,151**	32,970
Non-controlling interests		**(687)**	(213)
		109,464	32,757
Total comprehensive income (expense) attributable to:			
Owners of the Company		**122,418**	31,498
Non-controlling interests		**(750)**	(213)
		121,668	31,285
Earnings per share (HK$)	*14*		
– basic		**0.24**	0.10
– diluted		**0.15**	0.10

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 31 December 2017

	NOTES	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment	15	**365,411**	305,014
Prepaid lease payments		**19,939**	18,809
Deposits for acquisition of property, plant and equipment		**22,415**	–
Deposits and prepayments for life insurance policies		**25,230**	29,986
		432,995	353,809
Current assets			
Inventories		**385,040**	317,078
Trade and other receivables	16	**222,637**	191,199
Prepaid lease payments		**362**	336
Amounts due from directors		**–**	24,079
Amounts due from fellow subsidiaries		**–**	824
Tax recoverable		**865**	882
Pledged bank deposits		**100,539**	35,912
Bank balances and cash		**91,154**	60,377
		800,597	630,687
Current liabilities			
Trade and other payables	17	**41,152**	54,345
Amount due to a related company		**–**	46,644
Amount due to former ultimate holding company		**–**	8,587
Amount due to a former shareholder		**–**	602
Amount due to a preferred shareholder		**–**	1,234
Amount due to immediate holding company		**–**	11,145
Amount due to a non-controlling shareholder of a subsidiary		**7,726**	–
Tax payable		**2,554**	4,026
Secured bank borrowings	18	**505,882**	503,656
Obligation under finance leases		**–**	165
Derivative liabilities		**733**	2,985
		558,047	633,389
Net current assets (liabilities)		**242,550**	(2,702)
		675,545	351,107

	NOTES	2017 HK$'000	2016 HK$'000
Capital and reserves			
Share capital	19	**47,847**	7,780
Reserves		**624,605**	135,237
Equity attributable to owners of the Company		**672,452**	143,017
Non-controlling interests		**(650)**	100
Total equity		**671,802**	143,117
Non-current liabilities			
Deferred taxation		**3,743**	2,734
Redeemable convertible preferred shares	20	**–**	205,256
		3,743	207,990
		675,545	351,107

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

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

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

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

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

In preparation of the listing of the Company's shares on the Main Board of the Stock Exchange, the companies comprising the Group underwent the group reorganisation as described below.

Before listing, the Group was controlled by the Controlling Shareholders. The group reorganisation mainly involved inserting new holding entities, including the Company, between Evergreen Products Factory Limited ("Evergreen Factory") and its shareholders and has not resulted in any change of economic substances. Accordingly, the consolidated financial statements have been prepared on the basis as if the current group structure had been in existence throughout the year ended 31 December 2016. The Company became the holding company of the companies now comprising the Group on 22 June 2016. Major steps of the group reorganisation include the following:

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

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

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

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

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

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2016 include the results, changes in equity and cash flows of the companies comprising the Group as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the year ended 31 December 2016, or since the respective dates of incorporation, where this is a shorter period.

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

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

New and revised HKFRSs in issue but not yet effective

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

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

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

The directors of the Company anticipate that the application of these new and amendments to HKFRSs and Interpretations will have no material impact on the consolidated financial statements in the foreseeable future.

4. SIGNIFICANT ACCOUNTING POLICIES

The consolidated annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2017 but are extracted from those financial statements.

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

5. REVENUE

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

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

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 other, high-end human hair extensions and halloween products when making decisions about allocating resources and assessing performance of the Group. Other than revenue analysis, the CODM reviews the profit for the year of the Group as a whole to make decisions about performance assessment and resources allocation. The operation of the Group constitutes one single operating segment under HKFRS 8 "Operating segments" and accordingly, no separate segment information is prepared.

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

Geographical information

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

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

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

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

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

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

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

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

7. OTHER INCOME

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

8. OTHER GAINS AND LOSSES

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

9. OTHER EXPENSES

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

10. FINANCE COSTS

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

11. PROFIT BEFORE TAX

	2017	2016
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Amortisation of prepaid lease payments	**343**	340
Depreciation on property, plant and equipment	**27,670**	20,040
Total depreciation and amortisation	**28,013**	20,380
Directors' emoluments		
– fee	**600**	–
– salaries and other benefits	**2,518**	1,881
– housing benefits	**298**	1,194
– retirement benefit schemes contributions	**68**	40
	3,484	3,115
Staff's salaries and other benefits	**220,021**	181,511
Staff's retirement benefits scheme contributions	**17,087**	7,373
Total staff costs	**240,592**	191,999
Auditor's remuneration	**1,500**	1,076
Cost of inventories recognised as expense (included in cost of goods sold)	**417,123**	384,429
Minimum operating lease payments in respect of rented premises	**4,114**	3,760

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

12. INCOME TAX EXPENSE

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

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

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

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

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

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

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

13. DIVIDENDS

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

During the year ended 31 December 2016, a subsidiary of the Company declared dividends of HK$50,000,000 to its then shareholders. Dividend per share is not presented as its inclusion is not considered meaningful for the preparation of the consolidated financial statements of the Group.

Other than the above, no dividend was paid or declared by the Company or by Group's entities during the years ended 31 December 2017 and 2016.

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data on the assumption that the group reorganisation and capitalisation issue as disclosed in note 2 has been effective on 1 January 2016:

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

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

15. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the Year, the Group spent approximately HK$82.3 million (2016: HK$88.6 million) on property, plant and equipment.

16. TRADE AND OTHER RECEIVABLES

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

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

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

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

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

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

Aging of trade receivables which are past due but not impaired

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

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

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

17. TRADE AND OTHER PAYABLES

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

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

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

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

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

18. SECURED BANK BORROWINGS

During the Year, the Group obtained new mortgage and short term loans amounting to HK$80 million (2016: HK$218.1 million) and repaid mortgage and short term loans of HK$45.3 million (2016: HK$55.0 million). Proceeds from new borrowings were used to finance the general operating activities and construction of production facilities of the Group. As at 31 December 2017, the bank borrowings carried floating rate interest ranging from 1.75% to 5.00% (2016: 1.39% to 5.25%) per annum.

19. SHARE CAPITAL OF THE COMPANY

	Notes	**Number of shares**	**Share capital** *US$'000*
Ordinary shares of US$0.01 each			
Authorised:			
At 19 May 2016	*(a)*	5,000,000	50
Increase in authorised share capital	*(c)*	395,000,000	3,950
At 31 December 2016		400,000,000	4,000
Increase through re-designation from redeemable convertible preferred shares	*(h)*	100,000,000	1,000
Increase in authorised share capital	*(e)*	500,000,000	5,000
At 31 December 2017		1,000,000,000	10,000
Issued and fully paid:			
At 19 May 2016	*(b)*	1	–
Issue of ordinary shares pursuant to the group organisation	*(d)*	99,999,999	1,000
At 31 December 2016		100,000,000	1,000
Capitalisation issued	*(f)*	324,341,483	3,243
Issued of shares on initial public offering	*(f)*	153,750,000	1,538
Conversion of redeemable convertible preferred shares *(note 20)*	*(g)*	36,908,517	369
At 31 December 2017		615,000,000	6,150

Shown in the consolidated financial statements as:

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

(a) On 19 May 2016, the Company was incorporated in the Cayman Islands with an authorised share capital of US$50,000 divided into 5,000,000 ordinary shares of US$0.01 each.

(b) One share was allotted and issued to the first subscriber and such share was subsequently transferred to HoldCo on 10 June 2016.

(c) On 22 June 2016, the authorised share capital of the Company was increased from US$50,000 divided into 5,000,000 shares with a par value of US$0.01 each to US$5,000,000 divided into 500,000,000 shares with a par value of US$0.01 each, out of which 400,000,000 shares (including the one issued share) were re-designated to 400,000,000 ordinary shares with a par value of US$0.01 each and 100,000,000 shares were re-designated to 100,000,000 redeemable convertible preferred shares with a par value of US$0.01 each.

(d) On 22 June 2016, the Company issued 99,999,999 ordinary shares and 36,908,517 series A redeemable convertible preferred shares (the "Preferred Shares") to EGL as consideration for the acquisition of Evergreen Factory pursuant to the group reorganisation as disclosed in note 2, resulting these series A redeemable convertible preferred shares being accounted for as liabilities, details of which are set out in note 20.

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

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

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

(g) On 12 July 2017, redeemable convertible preferred Shares were converted into the Company's ordinary shares at par value of US$0.01 each and 36,908,517 ordinary shares were issued.

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

20. REDEEMABLE CONVERTIBLE PREFERRED SHARES

	Number of shares	Nominal value *HK$'000*
Redeemable convertible preferred shares of US$0.01 each:		
Authorised:		
Balance at 22 June 2016, 31 December 2016	100,000,000	1,000
Converted into ordinary shares	(100,000,000)	(1,000)
Balance at 31 December 2017	–	–
Issued and fully paid:		
Balance at 22 June 2016, 31 December 2016	36,908,517	15,000
Converted into ordinary shares *(note 19(g))*	(36,908,517)	(15,000)
Balance at 31 December 2017	–	–

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

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

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

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

21. EVENTS AFTER THE REPORTING PERIOD

On 16 January 2018, the Company granted 5,333,334 shares to certain directors, senior management and employees under the share award scheme that the Company adopted on 11 December 2017. As at the date of this announcement, those shares granted represented approximately 0.87% of the total issued shares of the Group. The management of the Company is in the process of estimating the financial impact.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is one of the world's leading global manufacturers of hair goods with an approximately 4.0% market share of the global synthetic hair goods manufacturer revenue in 2016. It designs, manufactures and sells a wide range of hair goods made with synthetic fibres and human hair, including wigs, hairpieces, braids and high-end human hair extensions, targeted at different ethnic groups and the Halloween market. This comprehensive product portfolio enables the Group to better ride fashion trends and capture customers across various market segments.

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

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

FINANCIAL REVIEW

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

Revenue

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

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

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

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

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

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

Cost of Goods Sold

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

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

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

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

Gross Profit

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

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

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

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

Other Income

Other income increased by HK$1.4 million, or 51.9%, from HK$2.7 million for the year ended 31 December 2016 to HK$4.1 million for the Year, primarily due to interest earned from certain key-man life insurance contracts for one of the Directors.

Other Gains and Losses

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

Change in Fair Value of Redeemable Convertible Preferred Shares

Immediately before the completion of the global offering of the Company in July 2017, there were 36,908,517 series A redeemable and convertible preferred shares of par value of US$0.01 each in the share capital of the Company (the "**Preferred Shares**"). All of the Preferred Shares were converted, on a one-to-one basis, into 36,908,517 ordinary shares of the Company immediately before the completion of the global offering. The Group recorded a gain from change in fair value of redeemable convertible preferred shares of HK$32.1 million upon the conversion of the Preferred Shares (2016: a loss of HK$39.3 million).

Distribution and Selling Expenses

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

Administrative Expenses

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

Other Expenses

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

Finance Costs

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

Taxation

Income tax expense of the Group decreased by HK$3.3 million, or 76.7%, from HK$4.3 million for the year ended 31 December 2016 to HK$1.0 million for the Year, primarily due to provision for the transfer pricing exposure of the Group's subsidiaries established in the People's Republic of China ("**PRC**") in prior years. In 2016, the Group commissioned a transfer pricing review of its PRC subsidiaries for the years ended 31 December 2013, 2014, 2015 and 2016. Based on the results of the transfer pricing review, the Group made a tax provision of approximately HK$1.3 million for PRC enterprise income tax for the year ended 31 December 2016, representing the total amount of tax provision in relation to the transfer pricing exposure of the Group's PRC subsidiaries for the years ended 31 December 2013, 2014, 2015 and 2016. Income tax expense in other jurisdictions decreased by HK$1.6 million from HK$2.2 million for the year ended 31 December 2016 to HK$0.6 million for the Year due to a decrease in income tax expense of a subsidiary in Japan. Income tax expense in Hong Kong for the Year in the amount of HK$0.6 million (2016: Nil) arose from the Group's e-commerce business. Income tax expense was net off against the reversal of deferred taxation in the amount of HK$0.4 million for both the year ended 31 December 2016 and the Year.

Net Profit

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

OUTLOOK

In order to meet the expected increase in demand for its products and to capture business opportunities arising from the growth in the hair goods industry, the Group intends to expand its production capacity and the scope of its operations in Bangladesh to include human hair sourcing, bleaching and dyeing, printing and package cartoning. Towards that end, the Group plans to complete the construction of four new production facilities in Bangladesh by the end of 2019. Construction of one of the Group's new production facilities in Bangladesh (the "**GT Hand Tie Facility**") is nearly completed with only interior decoration to be completed before it can commence production. The GT Hand Tie Facility will be principally engaged in hand tie production.

In addition, the Group also commenced construction of two other production facilities (the "**Bleaching and Dyeing Complex**" and the "**UEPZ Printing Facility**", respectively) during the Year. The Bleaching and Dyeing Complex will be principally engaged in bleaching and dyeing while the UEPZ Printing Facility will be principally engaged in printing. Construction of the remaining production facility in Bangladesh, which will be principally engaged in package cartoning, will commence in 2018.

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

LIQUIDITY AND FINANCIAL RESOURCES

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

Borrowings and Gearing Ratio

As at 31 December 2017, the Group's banking facilities amounted to HK$584.0 million, of which HK$78.1 million remained unutilised. As at 31 December 2017, the gearing ratio of the Group, which is equivalent to total interest-bearing debt (including secured bank borrowings, obligations under finance leases and the Preferred Shares) divided by total equity, was 75.3% as compared to 495.4% as at 31 December 2016. The significant decrease in the gearing ratio for the Year primarily reflected the conversion of the Preferred Shares, an increase in the share capital and the share premium of the Company as a result of the listing (the "**Listing**") of the shares of the Company (the "**Shares**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the Year and netting-off effect from an increase in secured bank borrowings. All of the Preferred Shares were converted, on a one-to-one basis, into 36,908,517 Shares immediately prior to the completion of the global offering of the Company in July 2017.

Capital Expenditure and Capital Commitments

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

Currency Risks

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

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

Contingent Liabilities

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

Pledge of Assets

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

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

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

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

Total employee expenditures during the Year amounted to HK$240.6 million as compared to HK$192.0 million for the year ended 31 December 2016. The Group operates a defined contribution retirement scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all qualified employees. Employees of the Group's factories in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. For employees in Bangladesh, the Group is currently not subject to any compulsory social insurance contribution, but they are covered by a self-managed provident fund operated by the respective subsidiaries of the Group in Bangladesh.

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 Shares in the Company.

From the Listing Date (as defined below) up to the date of this announcement, no option has been granted or agreed to be granted under the share option scheme.

Share Award Scheme

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

Details of the Share Award Scheme are set out in the announcement of the Company dated 11 December 2017.

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

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

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

Save as disclosed in this announcement, (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 announcement.

IMPORTANT EVENTS AFTER THE END OF THE YEAR

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

UPDATES ON RECTIFICATION PROGRESS

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

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

ANNUAL GENERAL MEETING

An annual general meeting (the “**AGM**”) of the Company is scheduled to be held on Friday, 11 May 2018, notice of which will be published and despatched to the shareholders as soon as practicable in accordance with the Company's articles of association and the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK8.13 cents per Share for the Year (2016: Nil) to the shareholders whose names appear on the register of members of the Company on Wednesday, 23 May 2018. Upon approval by the shareholders at the AGM, it is expected that the final dividend will be payable on Friday, 1 June 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the shareholders of the Company to attend and vote at the AGM and their entitlements to the proposed final dividend, the register of members of the Company will be closed as set out below:

(i) For determining shareholders' entitlement to attend and vote at AGM or any adjournment thereof, the register of members of the Company will be closed from Tuesday, 8 May 2018 to Friday, 11 May 2018, both dates inclusive, during which period no transfer of Shares will be registered.

In order to be eligible to attend and vote at the AGM, all transfer of the Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 7 May 2018.

The record date for such purposes is Friday, 11 May 2018.

(ii) For determining shareholders' entitlement to the proposed final dividend (subject to approval by the shareholders at the AGM), the register of members of the Company will be closed from Monday, 21 May 2018 to Wednesday, 23 May 2018, both dates inclusive, during which period no transfer of Shares will be registered.

In order to qualify for the proposed final dividend, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Friday, 18 May 2018.

The record date for such purposes is Wednesday, 23 May 2018.

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

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

CORPORATE GOVERNANCE

The Company was incorporated in the Cayman Islands on 19 May 2016 as an exempted company with limited liability, and the Shares were listed on the Main Board of the Stock Exchange on 12 July 2017 (the "**Listing Date**").

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices, and the CG Code has been applicable to the Company with effect from the Listing Date.

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

Save as disclosed above, in the opinion of the Board, the Company has complied with the code provisions in the CG Code throughout the period from the Listing Date to 31 December 2017.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 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 period from the Listing Date to 31 December 2017.

REVIEW OF CONSOLIDATED ANNUAL RESULTS BY THE AUDIT COMMITTEE

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in this preliminary announcement have been agreed by the Group's external auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.epfhk.com). The annual report of the Company for the Year containing all the information required under the Listing Rules will be published on the aforesaid websites of the Stock Exchange and the Company and will be despatched to the Company's shareholders in due course.

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

Hong Kong, 27 March 2018

As at the date of this announcement, the executive Directors are Mr. Chang Yoe Chong Felix, Mr. Kwok Yau Lung Anthony, Mr. Chan Kwok Keung, Ms. Jia Ziying and Mr. Li Yanbo; the non-executive Directors are Mr. Chang Chih Lung, Mr. Chan Lau Yui Kevin and Mr. Chan Hoi Sing Harold; and the independent non-executive Directors are Mr. Lau Ip Keung Kenneth, Mr. Sin Hendrick, Dr. Yung Bruce Pak Keung and Mr. Szeto Yuk Ting.

* *for identification purposes only*