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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Evergreen Products Group Limited, you should at once hand this circular to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of Evergreen Products Group Limited.



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)

CONNECTED TRANSACTION ISSUE OF NEW SHARES TO A CONNECTED PERSON UNDER SPECIFIC MANDATE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



Capitalised terms used on this cover shall have the meanings as defined in this circular unless the context requires otherwise.

A letter from the board of directors of the Company is set out on pages 6 to 14 of this circular. A letter from the Independent Board Committee (as defined herein) to the Independent Shareholders is set out on page 15 of this circular. A letter from the Independent Financial Adviser, containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders of the Company, is set out on pages 16 to 33 of this circular.

A notice convening the extraordinary general meeting of the Company to be held at 11/F, Chiap Luen Industrial Building, 30-32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong, on Wednesday, 13 November 2019 at 3:30 p.m. is set out on pages EGM-1 and EGM-2 of this circular. Whether or not you intend to attend the meeting, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and lodge the same with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.

Completion and delivery of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

29 October 2019

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DEFINITIONS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

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|----------------------------|--|
| “Announcement” | the announcement of the Company dated 20 September 2019 in respect of the Subscription |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors |
| “Business Day” | any day (excluding a Saturday, Sunday and public holiday) on which banks generally are open for business in Hong Kong |
| “BVI” | British Virgin Islands |
| “CLC Family Trust” | a trust established by Mr. Chang Chih Lung as the settlor with HSBC International Trustee Limited acting as the trustee for the benefit of Mr. Chang Yoe Chong Felix and his issue |
| “CLC Investment” | CLC Investment Worldwide Limited, a limited liability company incorporated in BVI which holds 51% of the issued share capital of Golden Evergreen and has been directly and wholly owned by CLC Management |
| “CLC Management” | CLC Management Limited, a limited liability company incorporated in BVI which holds the entire issued share capital of CLC Investment and has been wholly owned by CLC Family Trust through its trustee |
| “Company” | Evergreen Products Group Limited 訓修實業集團有限公司, a company incorporated in the Cayman Islands and the issued Shares of which are listed on the Stock Exchange |
| “connected persons” | has the meaning ascribed to it under the Listing Rules |
| “controlling shareholders” | has the meaning ascribed to it under the Listing Rules |
| “Directors” | the directors of the Company |

DEFINITIONS

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|-------------------------------|---|
| “EGM” | the extraordinary general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving by the Independent Shareholders the Subscription Agreement, and the transactions contemplated thereunder (including the grant of Specific Mandate) |
| “FC Investment” | FC Investment Worldwide Limited, a company incorporated in BVI with limited liability which holds 49% of the issued share capital of Golden Evergreen and has been directly and wholly owned by FC Management |
| “FC Management” | FC Management Limited, a company incorporated in BVI with limited liability which holds the entire issued share capital of FC Investment and has been wholly owned by Felix Family Trust through its trustee |
| “Felix Family Trust” | a trust established by Mr. Chang Yoe Chong Felix as the settlor with HSBC International Trustee Limited acting as the trustee for the benefit of Mr. Chang Chih Lung, Mr. Chang Ka Wai Aidan and Mr. Chang Yoe Chong Felix’s issue |
| “Golden Evergreen” | Golden Evergreen Limited, a limited liability company incorporated in BVI which holds the entire issued share capital of the Subscriber and is owned by FC Investment as to 49% and CLC Investment as to 51% |
| “Group” | the Company and its subsidiaries |
| “HK\$” | Hong Kong dollar(s), the lawful currency of Hong Kong |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Lau Ip Keung Kenneth, Mr. Sin Hendrick, Dr. Yung Bruce Pak Keung, Mr. Szeto Yuk Ting and Ir. Cheung Siu Wa |

DEFINITIONS

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| “Independent Financial Adviser” or “Somerley” | Somerley Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser approved by the Independent Board Committee and appointed by the Company to advise the Independent Board Committee and the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder |
| “Independent Shareholders” | the shareholders of the Company other than those who are required to abstain under the Listing Rules from voting at the extraordinary general meeting of the Company for the resolution(s) approving the Subscription Agreement and the transactions contemplated thereunder |
| “Latest Practicable Date” | 23 October 2019 being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein |
| “Listing Committee” | the listing sub-committee of the board of directors of the Stock Exchange |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Long Stop Date” | the date on which 2 months after the date of the Subscription Agreement (or such later date as may be agreed between the parties thereof) |
| “Placee(s)” | any independent professional, institutional or other investors procured by the Placing Agents to subscribe for any of the Placing Shares pursuant to the Placing Agents’ obligations under Placing Agreement |
| “Placing” | the placing of 40,000,000 existing Shares pursuant to the terms of the Placing Agreement |
| “Placing Agents” | collectively, Kingsway Financial Services Group Limited, Guotai Junan Securities (Hong Kong) Limited and SBI China Capital Financial Services Limited |

DEFINITIONS

| | |
|--------------------------|---|
| “Placing Agreement” | the agreement dated 20 September 2019 entered into between the Vendor, the Company and the Placing Agents in relation to the Placing |
| “Placing Price” | HK\$1.55 per Placing Share |
| “Placing Share(s)” | a maximum of 40,000,000 existing Shares, beneficially owned by the Vendor and to be placed pursuant to the Placing Agreement |
| “PRC” | the People’s Republic of China, which for the purpose of this circular and unless the context suggests otherwise, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan |
| “Seavi” | Seavi Advent Investments Limited, a substantial shareholder of the Company |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| “Share(s)” | the ordinary share(s) of US\$0.01 each in the share capital of the Company |
| “Share Award Scheme” | the share award scheme adopted by the Company on 11 December 2017 |
| “Shareholders” | holders of the Shares |
| “Specific Mandate” | a specific mandate to be sought from the Independent Shareholders at the EGM for the allotment and issue of the Subscription Shares to the Subscriber upon completion of the Subscription |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Subscriber” or “Vendor” | Evergreen Enterprise Holdings Limited, a limited company incorporated in BVI and a controlling shareholder of the Company which holds approximately 52.17% of the total issued Shares as at the Latest Practicable Date |
| “Subscription” | the proposed issue of the Subscription Shares to the Subscriber |

DEFINITIONS

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| “Subscription Agreement” | the conditional subscription agreement dated 20 September 2019 entered into between the Company and the Subscriber in relation to the issue of 12,902,000 Subscription Shares to the Subscriber |
| “Subscription Price” | the subscription price of HK\$1.55 per Subscription Share |
| “Subscription Shares” | the new Shares to be allotted and issued to the Subscriber pursuant to the Subscription Agreement |
| “subsidiary(ies)” | has the meaning ascribed thereto in the Listing Rules |
| “Substantial Shareholders” | has the meaning ascribed to it under the Listing Rules |
| “Top-up Subscription” | the subscription by the Vendor for the number of Placing Shares actually placed by the Placing Agents pursuant to the Placing Agreement subject to the terms of the subscription agreement dated 20 September 2019 entered into between the Vendor and the Company |
| “US\$” | United States dollar(s), the lawful currency of the United States of America |
| “%” | per cent |

References to time and dates in this circular are to time and dates in Hong Kong.

LETTER FROM THE BOARD



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)

Executive Directors

Mr. Chang Yoe Chong Felix
(Chairman and Chief Executive Officer)
Mr. Kwok Yau Lung Anthony
(Chief Operating Officer)
Mr. Chan Kwok Keung
Mr. Hui Wing Ki
Ms. Jia Ziyang
Mr. Li Yanbo

Non-executive Director

Mr. Chan Lau Yui Kevin
Mr. Chan Hoi Sing Harold

Independent non-executive Directors

Mr. Lau Ip Keung Kenneth
Mr. Sin Hendrick
Dr. Yung Bruce Pak Keung
Mr. Szeto Yuk Ting
Ir. Cheung Siu Wa

Registered Office

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

*Head office and principal place of business
in Hong Kong:*

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

29 October 2019

To the Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
ISSUE OF NEW SHARES TO A CONNECTED PERSON
UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the Announcement in respect of the Subscription.

The purpose of this circular is to provide you with, among other things,

- (i) Details of the Subscription;

LETTER FROM THE BOARD

- (ii) A letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares);
- (iii) The recommendation of the Independent Board Committee to the Independent Shareholders regarding the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares) as well as voting at the EGM; and
- (iv) The notice of the EGM to the Shareholders.

SUBSCRIPTION AGREEMENT

Principal terms of the Subscription Agreement are set out below.

Date: 20 September 2019

Parties: the Company (as issuer); and
Evergreen Enterprise Holdings Limited (as subscriber)
(collectively, the “Parties”)

Issue of the Subscription Shares to the Subscriber

Pursuant to the Subscription Agreement, the Company will allot and issue, and the Subscriber will subscribe for 12,902,000 Subscription Shares at the Subscription Price.

The Subscription Shares represents (i) 1.99% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 1.95% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (i.e. 661,082,000 Shares), assuming no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to the dates of the completion of the Subscription Agreement. The aggregate nominal value of the Subscription Shares to be issued to the Subscriber is US\$129,020.

Ranking of the Subscription Shares

The Subscription Shares to be issued to the Subscriber pursuant to the Subscription Agreement, when fully paid, will rank *pari passu* in all respects with the Shares in issue as at the date of the Subscription Agreement, including the right to rank in full for all distributions declared, made or paid by the Company at any time after the date of the Subscription Agreement.

LETTER FROM THE BOARD

The Subscription Price

The Subscription Price (i.e. HK\$1.55 per Subscription Share) represents:

- (i) a discount of approximately 14.36% to the closing price of HK\$1.81 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement; and
- (ii) a discount of approximately 13.41% to the average closing price of approximately HK\$1.79 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the date of the Subscription Agreement.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the Placing Price per Placing Share under the Placing Agreement, details of which were announced by the Company on 20 September 2019. The Directors (other than the independent non-executive Directors who will give their opinion after considering the advice from the independent financial adviser) consider that the Subscription Price is fair and reasonable, having taken into account, the Placing Price of HK\$1.55 per Placing Share under the Placing which was determined after arm's length negotiations between the Vendor, the Company and the Placing Agents with reference to the market price of the Shares and is in the interests of the Company and the Shareholders as a whole.

Subscription monies

Based on the Subscription Price and 12,902,000 Subscription Shares to be subscribed by the Subscriber, the total subscription monies payable by the Subscriber to the Company pursuant to the Subscription Agreement amount to approximately HK\$20,000,000 which will be settled by cash.

Conditions precedent to the Subscription Agreement

Completion of the transactions contemplated in the Subscription Agreement is conditional upon fulfilment of the following conditions:

- (i) the duly passing of the following resolution(s) at the EGM in relation to the Subscription Agreement and the transactions contemplated thereunder:
 - (a) the Specific Mandate for the allotment and issuance of the Subscription Shares; and
 - (b) the Subscription Agreement and the transactions contemplated thereunder;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares (and such listing and permission not subsequently revoked prior to completion of the Subscription Agreement);

LETTER FROM THE BOARD

- (iii) the Company obtaining all necessary written consents and approvals (if any) from the relevant authorities in respect of the transactions contemplated under the Subscription Agreement, if applicable; and
- (iv) the representations and warranties of the Company and the Subscriber being true and accurate and not misleading at all times from the date of the Subscription Agreement up to and including the date of completion of the Subscription Agreement.

In the event that the conditions precedent above are not fulfilled by the Long Stop Date, the Subscription Agreement shall cease and terminate and neither of the Parties shall have any claim against the other for costs, damages, compensation or otherwise.

Completion

Completion of the Subscription Agreement shall take place at 2:00 p.m. on the Business Day immediately after the date on which the last of the conditions precedent to the Subscription Agreement set out above have been fulfilled or such other time as the Parties thereof may agree and in any event not later than the Long Stop Date.

Lock-up Undertaking

The Subscriber undertakes that the Subscription Shares are subject to a lock-up period of twelve months from the completion date during which the Subscriber shall not offer, lend, contract to sell, pledge, grant any option to purchase or otherwise dispose of, any of the Subscription Shares.

APPLICATION FOR LISTING

Completion of the Subscription is conditional on, among other things, the Listing Committee of the Stock Exchange granting the listing approval. Application shall be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in the Subscription Shares.

SPECIFIC MANDATE TO ISSUE THE SUBSCRIPTION SHARES

The Subscription Shares will be issued under the Specific Mandate to be proposed for voting by the Independent Shareholders at the EGM. The Specific Mandate, if approved, will be valid until 20 November 2019, i.e. 2 months after the date of the Subscription Agreement or termination of the Subscription Agreement. In the event that the conditions precedent above are not fulfilled by 20 November 2019 and the Parties agree to extend the Long Stop Date, the Company shall convene another EGM to seek a new Specific Mandate from the Independent Shareholders.

LETTER FROM THE BOARD

INFORMATION ON THE COMPANY

The Group is principally engaged in the manufacturing and sale of hair goods, including wigs, hairpieces, braids and high-end human hair extensions, with key product markets in the United States, Europe and Asia.

INFORMATION ON THE SUBSCRIBER

The Subscriber is principally engaged in investment holding. As at the Latest Practicable Date, the Subscriber holds approximately 52.17% of the total issued Shares and is a controlling shareholder of the Company. It is a direct wholly owned subsidiary of Golden Evergreen. 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. Each of FC Management and CLC Management is directly and wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. Mr. Chang Yoe Chong Felix, the Chairman, Chief Executive Officer and Executive Director of the Company, is the settlor of the Felix Family Trust and a beneficiary of the CLC Family Trust.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

The Company has been exploring various options to raise capital. In the circumstances, the Company considers that the Subscription from the Subscriber is the most efficient way to raise capital in order to maintain a sufficient cash position of the Group to meet its current liabilities and to enhance the capital base of the Company to lay a more solid foundation for future development. On the other hand, the Subscription by the Subscriber, who is a controlling shareholder of the Company, reflects its confidence in the development prospect of the Company so that the Company can maintain long-term and sustainable development not only from investors but also from its controlling shareholder which is a stable source of financing. As at 30 June 2019, the Company's bank balances and cash amounted to HK\$61 million. As at 30 June 2019, the Company's short term loan and long term loan amounted to HK\$663.7 million and HK\$75.7 million respectively. The Company's borrowings are relatively short-term (approximately 89.8% of its borrowings shall mature in less than one year, although these borrowings are renewable under yearly review by banks). As such, the Company would like to diversify its fund raising channels through conducting the Placing and the Top-up Subscription (the "**Top-up Placing**") and the Subscription to reduce its reliance on short-term loans, which helps to improve the Company's liquidity position and to reduce costs. Accordingly, the Company is of the view that the Subscription is in the best interest of the Company and its Shareholders as a whole.

As disclosed in the announcement of the Company in respect of the Top-up Placing dated 20 September 2019 and in the circular herein, the Company intends to utilize the proceeds from the Top-up Placing and the Subscription in settling outstanding debts and liabilities of the Group.

LETTER FROM THE BOARD

It would be ideal for the Company if both the Top-up Placing and the Subscription can be completed as soon as possible. However, as set out in section headed “Listing Rules Implications”, the Subscription is a connected transaction and therefore is subject to approval of the Independent Shareholders. On the other hand, the Placees, as independent third parties, would like to hold the Shares as soon as possible. The Placees would not invest into the Company if they could only hold the Shares after issue of new Shares to the Subscriber, who is a controlling shareholder and connected person of the Company, which is subject to the Independent Shareholders’ approval. Given that the uncertainty on macroeconomic outlook leading to heightened financial market volatility, any Share price fluctuations in between would dampen the confidence of the Placees who might not proceed with the deal, which is to the detriment of the minority Shareholders. The aforementioned is also the underlying reason for the Stock Exchange to roll out the “Top-up Placement” arrangement. As such, the Company decided to structure the fundraisings by conducting both the Top-up Placing and the Subscription, which is the most efficient way to secure investment funding with less uncertainty.

USE OF PROCEEDS

Assuming the Subscription Agreement is completed, the gross proceeds and net proceeds (after deducting professional fees and other related expenses) to be received by the Company from the issue of the Subscription Shares at the Subscription Price are expected to be HK\$20,000,000 and approximately HK\$19,790,000, respectively. In such case, the net Subscription Price will be approximately HK\$1.53. The proceeds from the issue of the Subscription Shares will be used in settling outstanding liabilities of the Group.

LETTER FROM THE BOARD

EFFECT ON THE SHAREHOLDING STRUCTURE

The effects of the Share Subscription on the shareholding structure of the Company are, for illustrative purpose only and assuming no further issue of new Shares or repurchase of Shares by the Company from the Latest Practicable Date up to the dates of the relevant events, set out as follows:

| Name of Shareholder | Shareholding immediately prior to completion of the Subscription | | Shareholding immediately after the completion of the Subscription | |
|----------------------------|--|-------------------|---|-------------------|
| | <i>Number of Shares</i> | <i>%</i> | <i>Number of Shares</i> | <i>%</i> |
| Chang Yoe Chong Felix | 9,790,600 | 1.51 | 9,790,600 | 1.48 |
| The Subscriber | 338,175,803 | 52.17 | 351,077,803 | 53.11 |
| Seavi | 108,520,197 | 16.74 | 108,520,197 | 16.42 |
| Public Shareholders | | | | |
| Placees | 33,180,000 | 5.12 | 33,180,000 | 5.02 |
| Other public Shareholders | <u>158,513,400</u> | <u>24.46</u> | <u>158,513,400</u> | <u>23.97</u> |
| Total | <u><u>648,180,000</u></u> | <u><u>100</u></u> | <u><u>661,082,000</u></u> | <u><u>100</u></u> |

FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

Save for the Placing and the Top-up Subscription, the Company has not conducted any fund raising activity in the past 12 months immediately before the Latest Practicable Date.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, the Subscriber holds approximately 52.17% of the total issued Shares and hence a controlling shareholder of the Company. As such, the Subscriber is a connected person of the Company under Rule 14A.07(1) of the Listing Rules and the Subscription constitute connected transactions for the Company and are subject to the announcement, reporting and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Subscription Shares will be allotted and issued pursuant to the specific mandates to be sought from the Independent Shareholders at the EGM.

The EGM will be convened to obtain the Independent Shareholders' approval for the Subscription Agreement, and the transaction contemplated thereunder, including the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to the Subscriber.

LETTER FROM THE BOARD

The Directors confirm that, to the best of their knowledge, information and belief after having made all reasonable enquiries, save for the Subscriber and its associates, no Shareholder has a material interest in the Subscription. As such, no Shareholder other than the Subscriber and their respective associates will abstain from voting on the resolution(s) for approving the Subscription to be proposed at the EGM. Save for Mr. Chang Yoe Chong Felix, no Director has a material interest in the Subscription Agreement and the transactions contemplated thereunder and no Director will abstain from voting on the relevant Board resolution(s).

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Subscription Agreement and the transactions contemplated thereunder. Somerley has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard.

EGM

The EGM will be held at 11/F, Chiap Luen Industrial Building, 30-32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong on Wednesday, 13 November 2019 at 3:30 p.m. for the purpose of considering and, if thought fit, approving the Subscription Agreement and the transactions contemplated thereunder by the Independent Shareholders, including the grant of the Specific Mandate to the Directors for the allotment and issue of the Subscription Shares to the Subscriber.

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof, should you so wish.

For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 12 November 2019 to Wednesday, 13 November 2019, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 11 November 2019. Pursuant to Rule 13.39(4) of the Listing Rules, any votes of the Shareholders at a general meeting must be taken by poll. Accordingly, the resolutions to be proposed at the EGM will be voted by way of a poll by the Shareholders.

LETTER FROM THE BOARD

RECOMMENDATION

The Directors (including the independent non-executive Directors whose recommendation is set out in the letter from the Independent Board Committee) are of the opinion that while the Subscription is not in the ordinary and usual course of business of the Company, the terms of the Subscription Agreement and the transactions contemplated thereunder, and the grant of Specific Mandate are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolutions set out in the notice of the EGM enclosed in this circular.

GENERAL

Your attention is drawn to the letter from the Independent Board Committee set out on page 15 of this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders and the letter from the Independent Financial Adviser set out on pages 16 to 33 of this circular which contains the advice of the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Your attention is also drawn to the additional information set out in the appendix to this circular.

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



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)

29 October 2019

To the Independent Shareholders

Dear Sir or Madam,

**CONNECTED TRANSACTION
ISSUE OF NEW SHARES TO A CONNECTED PERSON
UNDER SPECIFIC MANDATE
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular dated 29 October 2019 issued by the Company to its Shareholders (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings when used in this letter, unless the context otherwise requires.

We, being the independent non-executive Directors, have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in connection with the Subscription, the details of which are set out in the letter from the Board contained in the Circular.

Somerley Capital Limited has been appointed to advise us, the Independent Board Committee, and the Independent Shareholders in relation to the Subscription. We wish to draw your attention to the letter from the Board, and the letter from the Independent Financial Adviser containing its advice in respect of the Subscription Agreement and the transactions contemplated thereunder (including the grant of the Specific Mandate for the allotment and issue of the Subscription Shares), as set out in the Circular.

After taking into account the factors and reasons considered by Somerley Capital Limited and its conclusion and advice, we concur with its views and consider that while the Subscription is not in the ordinary and usual course of business of the Group, the terms of the Subscription Agreement, the transactions contemplated under the Subscription Agreement and the Specific Mandate are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Shareholders should vote in favor of the resolution to be proposed at the EGM to approve the Subscription Agreement, the transactions contemplated under the Subscription Agreement and the grant of the Specific Mandate for the allotment and issue of the Subscription Shares.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Mr. Lau Ip
Keung Kenneth**

**Mr. Sin
Hendrick**

**Dr. Yung
Bruce Pak
Keung**

**Mr. Szeto Yuk
Ting**

**Ir. Cheung Siu
Wa**

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter of advice from Somerley Capital Limited prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Subscription Agreement and the transactions contemplated thereunder.



SOMERLEY CAPITAL LIMITED
20th Floor
China Building
29 Queen's Road Central
Hong Kong

29 October 2019

To: The Independent Shareholders and the Independent Board Committee

Dear Sirs,

**CONNECTED TRANSACTION
ISSUE OF NEW SHARES TO A CONNECTED PERSON
UNDER SPECIFIC MANDATE**

INTRODUCTION

We refer to our appointment to advise the Independent Board Committee and the Independent Shareholders in connection with the Subscription Agreement and the transactions contemplated thereunder (the “**Transactions**”). Details of the aforesaid transactions are set out in the letter from the Board contained in the circular of the Company (the “**Circular**”) to its Shareholders dated 29 October 2019, of which this letter forms part. Unless otherwise defined, terms used in this letter shall have the same meanings as those defined in the Circular.

On 20 September 2019, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company will allot and issue, and the Subscriber will subscribe for 12,902,000 Subscription Shares at the Subscription Price of HK\$1.55 per Subscription Share.

As at the Latest Practicable Date, the Subscriber holds approximately 52.17% of the total issued Shares and is a controlling shareholder of the Company. It is a direct wholly owned subsidiary of Golden Evergreen. 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. Each of FC Management and CLC Management is directly and wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. Mr. Chang Yoe Chong Felix, the Chairman, Chief Executive Officer and Executive Director of the Company, is the settlor of the Felix Family Trust and a beneficiary of the CLC Family Trust.

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As such, the Subscriber is a connected person of the Company under Rule 14A.07(1) of the Listing Rules and the Subscription constitute connected transactions for the Company and are subject to the announcement, reporting and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lau Ip Keung Kenneth, Mr. Sin Hendrick, Dr. Yung Bruce Pak Keung, Mr. Szeto Yuk Ting and Ir. Cheung Siu Wa, has been established to make a recommendation to the Independent Shareholders in relation to the Subscription Agreement and the transactions contemplated thereunder. Somerley Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

We are not associated or connected with the Company, the Subscriber or their respective core connected persons or associates. Save for this appointment as the Independent Financial Adviser to provide our independent advice on the Transactions, as at the Latest Practicable Date, we did not have any other relationship with or any interests in the Company, the Subscriber or their respective core connected persons, associates, close associates or any party acting or presumed to be acting in concert with any of them that could reasonably be regarded as relevant to our independence nor have had any other engagement with the Company in the last two years. Accordingly, we are considered eligible to give independent advice on the Transactions. Apart from normal professional fees payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company, the Subscriber or their respective core connected persons or associates.

In formulating our advice and recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (collectively, the "**Management**") and the respective professional advisers of the Company, which we have assumed to be true, accurate and complete. We have reviewed information on the Company, including but not limited to, the Subscription Agreement, annual reports of the Company for years ended 31 December 2017 ("**FY2017**") (the "**2017 Annual Report**") and 2018 ("**FY2018**") (the "**2018 Annual Report**") and interim report of the Company for the period ended 30 June 2019 ("**1H2019**") (the "**2019 Interim Report**", together with the 2017 Annual Report and the 2018 Annual Report, the "**Reports**") and other information contained in the Circular.

In addition, we have relied on the information and facts supplied, and the opinions expressed, by the Group and have assumed in relation to the facts to be true, accurate and complete in all material aspects and in relation to any opinions to be honestly held at the time they were made and will remain, in relation to the facts to be true, accurate and complete in all material aspects and in relation to any opinions to be honestly held, up to the date of the EGM. We have also sought and received confirmation from the Group that no material facts have been omitted from the information supplied by them and that their opinions expressed to us are not misleading in any material respect. We consider that the information we have received is sufficient for us to formulate our opinion and recommendation as set out in this

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letter and have no reason to believe that any material information has been omitted or withheld, nor to doubt the truth or accuracy of the information provided to us. We have, however, not conducted any independent investigation into the businesses and affairs of the Group and the Subscriber nor have we carried out any independent verification of the information supplied.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation regarding the Transactions, we have considered the following principal factors and reasons:

1. Information on the Group

1.1 Principal business of the Group

The Group is principally engaged in the manufacture and trading of hair products. The three main segments of the Group are (i) the sales of wigs, hair accessories and other products in the United States and Europe; (ii) the sales of high-end human hair extensions to hair salons across North America, Europe and Asia; and (iii) the sales of wigs, hairpieces and costumes designed for parties and festivals.

The Group is headquartered in Hong Kong and currently has three production centres in the PRC and four production centres in Bangladesh.

1.2 Financial information of the Group

Set out below is the summary of the Group's audited financial performance for the three years ended 31 December 2016, 2017 and 2018 and for the six months ended 30 June 2018 and 30 June 2019, as extracted from the 2017 Annual Report, the 2018 Annual Report and 2019 Interim Report respectively:

| | Six months ended | | Year ended 31 December | | |
|--------------------------------------|------------------|------------------|------------------------|------------------|------------------|
| | 30 June 2019 | 2018 | 2018 | 2017 | 2016 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Revenue | 375,342 | 373,330 | 732,170 | 647,343 | 595,682 |
| Cost of goods sold | <u>(249,720)</u> | <u>(241,573)</u> | <u>(476,405)</u> | <u>(417,123)</u> | <u>(384,429)</u> |
| Gross profit | 125,622 | 131,757 | 255,765 | 230,220 | 211,253 |
| Finance costs | (9,290) | (7,999) | (15,524) | (12,505) | (17,562) |
| Administrative expenses | (66,203) | (62,365) | (123,034) | (105,695) | (87,383) |
| Distribution and selling expenses | (5,748) | (8,759) | (16,015) | (15,720) | (12,898) |

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| | Six months ended | | | | |
|--|------------------|-----------------|------------------------|-----------------|-----------------|
| | 30 June | | Year ended 31 December | | |
| | 2019 | 2018 | 2018 | 2017 | 2016 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Change in fair value of redeemable convertible preferred shares | – | – | – | 32,100 | (39,344) |
| Other gains and losses | 2,565 | (941) | 8,226 | (4,084) | (4,848) |
| Other income | 1,245 | 682 | 2,887 | 4,055 | 2,714 |
| Other expenses | <u>(625)</u> | <u>(424)</u> | <u>(1,333)</u> | <u>(17,956)</u> | <u>(14,915)</u> |
| Profit before tax | 47,566 | 51,951 | 110,972 | 110,415 | 37,017 |
| Income tax credit/(expense) | <u>381</u> | <u>(194)</u> | <u>(361)</u> | <u>(951)</u> | <u>(4,260)</u> |
| Profit for the period/year | <u>47,947</u> | <u>51,757</u> | <u>110,611</u> | <u>109,464</u> | <u>32,757</u> |
| Profit for the period/year attributable to owners of the Company | <u>49,301</u> | <u>52,065</u> | <u>110,975</u> | <u>110,151</u> | <u>32,970</u> |

As shown above, the Group demonstrated a gradual growth in revenue during the past three financial years and the six months ended 30 June 2019. In FY2017, the Group reported revenue of approximately HK\$647.3 million, representing an increase of approximately 8.7% from approximately HK\$595.7 million in 2016. Such increase was mainly due to the long-standing stable business relationships with the Group's existing clients and the strong overall market demand for its wigs and hair products. Revenue of the Group in FY2018 further grew by approximately 13.1% to approximately HK\$732.2 million, mainly due to the steady overall market demand for its wigs and hair products. For 1H2019, the Group reported revenue of approximately HK\$375.3 million, representing an increase of approximately 0.5% from the corresponding period in 2018. Based on the Reports, revenue generated from hair goods made at the Group's production facility in Bangladesh (the "**Bangladesh Factory**") accounted for approximately 87.4%, 92.3% and 92.1% of the Group's total revenue for FY2017, FY2018 and 1H2019 respectively.

The Group reported an increase in gross profit of approximately 8.9% to approximately HK\$230.2 million in FY2017, and further grew by approximately 11.1% to approximately HK\$255.8 million in FY2018. Such increase was in line with the growth in revenue during the periods. Despite the growth in revenue in 1H2019, gross profit of the Group dropped by around 4.7% to approximately HK\$125.6 million as compared to that for the corresponding period in 2018, which was mainly attributable to the increase in cost of goods sold as a result of a significant increase in workers' minimum wages in Bangladesh.

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Profit attributable to owners of the Company increased by approximately 233.9% to approximately HK\$110.2 million in FY2017, as a result of mainly the fair value gain in the Company' redeemable convertible preferred shares of approximately HK\$32.1 million in FY2017 as compared to a fair value loss of approximately HK\$39.3 million in FY2016. Based on the disclosures made in the 2017 Annual Report, the redeemable convertible preferred shares were converted into the Company's ordinary Shares in full on 12 July 2017. Despite the growth in revenue in FY2018, profit attributable to owners of the Company increased only marginally by approximately 0.73% in FY2018 as compared to FY2017, due to the increase in revenue in FY2018 having been offset by, among other things, the increases in finance costs and administrative expenses of approximately 24.0% and approximately 16.4% respectively for FY2018. Based on the 2018 Annual Report, the increase in administrative expenses for FY2018 was a result of an increase in staff salary and corresponding pension payments during the year and retainment of professional advisers following its initial public offering in 2017. The increase in finance costs for FY2018 on the other hand was a result of the increase in bank borrowing. As at 31 December 2018, the Company's total bank borrowings amounted to HK\$739.4 million, all of which were classified as current liabilities. As a result of, among others, the decrease in gross profit and the increase in finance costs in 1H2019, profit attributable to owners of the Company reported a corresponding decrease by approximately 5.4% for 1H2019 as compared to the corresponding period in 2018.

Set out below is the summary of the Group's financial position as at 31 December 2018 and 30 June 2019, as extracted from the 2019 Interim Report:

| | As at 30 June 2019 HK\$'000 | As at 31 December 2018 HK\$'000 |
|-------------------------------|--|--|
| Non-current Assets | | |
| Property, plant and equipment | 619,206 | 553,951 |
| Other non-current assets | 77,195 | 64,499 |
| | 696,401 | 618,450 |
| Current Assets | | |
| Inventories | 433,986 | 430,889 |
| Trade and other receivables | 336,162 | 269,986 |
| Pledged bank deposits | 87,912 | 84,785 |
| Bank balances and cash | 60,619 | 68,873 |
| Other current assets | 956 | 1,306 |
| | 919,635 | 855,839 |

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| | As at 30 June 2019 HK\$'000 | As at 31 December 2018 HK\$'000 |
|--|--|--|
| Current Liabilities | | |
| Secured bank borrowings | 739,381 | 646,788 |
| Amount due to a related company | 50,000 | 30,000 |
| Amount due to a non-controlling shareholder of a subsidiary | 9,596 | 8,845 |
| Other current liabilities | 50,039 | 72,929 |
| | <u>849,016</u> | <u>758,562</u> |
| Net current assets | <u>70,619</u> | <u>97,277</u> |
| Total assets less current liabilities | <u>767,020</u> | <u>715,727</u> |
| Non-current Liabilities | | |
| Deferred taxation | 4,870 | 4,703 |
| Lease liabilities/obligations under finance lease | 9,496 | 156 |
| | <u>14,366</u> | <u>4,859</u> |
| Net Assets | <u><u>752,654</u></u> | <u><u>710,868</u></u> |
| Total Equity | | |
| Equity attributable to owners of the Company | 755,111 | 711,927 |
| Non-controlling interests | (2,457) | (1,059) |
| | <u><u>752,654</u></u> | <u><u>710,868</u></u> |

Total non-current assets of the Group as at 31 December 2018 and 30 June 2019 comprised mainly of property, plant and equipment. Balance of total non-current assets increased from approximately HK\$618.5 million as of 31 December 2018 to approximately HK\$696.4 million as at 30 June 2019. Such increase was mainly attributable to the increase in the balance of property, plant and equipment due to the Company's upgrading of its facilities at the Bangladesh Factory.

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Current assets of the Group as at 31 December 2018 and 30 June 2019 mainly comprised, among other things, inventories and trade and other receivables. Despite the total balance for current assets improved from approximately HK\$855.8 million as at 31 December 2018 to approximately HK\$919.6 million as at 30 June 2019, which was mainly a result of the increases in balances for inventories and trade and other receivables, bank balances and cash decreased from approximately HK\$68.9 million as at 31 December 2018 to approximately HK\$60.6 million as at 30 June 2019. Such decrease was mainly a result of the substantial increase in repayments of mortgages and short-term loans of approximately HK\$111.4 million during the six months ended 30 June 2019, partly offset by the cash received from new mortgage and short-term loans raised.

Current liabilities of the Group as at 31 December 2018 and 30 June 2019 were approximately HK\$758.6 million and HK\$849.0 million respectively. Current liabilities of the Group was mainly comprised of the secured bank borrowings. Secured bank borrowings of the Group reported balances of approximately HK\$646.8 million and HK\$739.4 million respectively as at 31 December 2018 and 30 June 2019, representing an increase by approximately 14.3%. Based on the 2019 Interim Report, the Group's secured bank borrowings were subject to variable interest rates based on the Hong Kong Dollar Prime Rate and the London Interbank Offered Rate and the range of effective interest rates during the period were between 2.95% and 4.75% as of 30 June 2019. The Group's secured bank borrowings are mainly used for upgrading of its facilities at the Bangladesh Factory and working capital.

As a result of the increase in secured bank borrowings, the Group's net current assets deteriorated from approximately HK\$97.3 million as at 31 December 2018 to approximately HK\$70.6 million as at 30 June 2019, representing a decrease of around 27.4%. Based on the 2017 Annual Report, 2018 Annual Report and the 2019 Interim Report, the Group's gearing ratio, which is equivalent to total interest-bearing debt (including secured bank borrowings, obligations under finance leases and any preferred shares) divided by total equity was around 91.0% as at 31 December 2018 and 98.2% as at 30 June 2019. The Group's current ratio remained at approximately 1.1 time as at 31 December 2018 and as at 30 June 2019.

As at 31 December 2018 and 30 June 2019, total equity attributable to owners of the Company was approximately HK\$711.9 million and HK\$755.1 million respectively. Based on the total number of issued Shares as at the Latest Practicable Date of 648,180,000, total equity attributable to owners of the Company per Share was approximately HK\$1.16 as at 30 June 2019.

2. Reasons for the Subscription Agreement

2.1 Reasons for the Subscription Agreement

As discussed in the Circular, the Company has been exploring various options to raise capital and considers the Subscription by the Subscriber as the most efficient way to raise capital in order to maintain a sufficient cash position of the Group and to meet its current liabilities and to enhance the capital base of the Company to lay a more solid foundation for future development. It is also stated that, the Subscription by the Subscriber, who is a controlling shareholder of the Company, reflects its confidence in the development prospect of the Company so that the Company can maintain long-term and sustainable development not only from investors but also from its controlling shareholder which is a stable source of financing. As also stated in the Circular, as at 30 June 2019, the Company's bank balances and cash amounted to HK\$61 million and its short-term loan and long-term loan amounted to HK\$663.7 million and HK\$75.7 million respectively. The Company has disclosed that its borrowings are relatively short-term (approximately 89.8% of its borrowings shall mature in less than one year, although these borrowings are renewable under yearly review by banks) and as such, the Company would like to diversify its fund-raising channels through conducting the Placing and the Top-up Subscription (the "**Top-up Placing**") and the Subscription to reduce its reliance on short-term loans, which helps to improve the Company's liquidity position and to reduce costs. Accordingly, the Company is of the view that the Subscription is in the best interest of the Company and its Shareholders as a whole.

As further disclosed in the Circular and as disclosed in the announcement of the Company in respect of the Top-up Placing dated 20 September 2019, the Company intends to utilize the proceeds from the Top-up Placing and the Subscription in settling outstanding debts and liabilities of the Group.

We have reviewed the current financial performance of the Company, details of which are discussed above under the heading "*1.2 Financial information of the Group*", and we note that the Company's closing balance for bank balances and cash was approximately HK\$60.6 million as at 30 June 2019 among which, approximately HK\$32 million was net proceeds from the Company's initial public offering and has been ear-marked for specific usages including but not limited to, the construction of additional production facilities in Bangladesh, relocation of its research and display centre and sales office in China and the expansion of business by establishing sales offices. As such, only less than HK\$30 million of the cash balance as at 30 June 2019 could be possibly used by the Group as general working capital for other purposes. Against such backdrop and given the high level of current liabilities of the Group, we concur the view of the Directors that it is prudent and beneficial for the Company to raise and apply new fund, instead of using the existing internal cash resources, for purposes such as reducing its gearing level.

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2.2 Financing alternatives

We note from the Company that it has considered alternative fund-raising methods, including additional bank borrowings, rights issue or open offer, but resolved to proceed with the Top-up Placing and the Subscription.

We understand from the Company that it has considered the possibility of a rights issue or an open offer exercise as it is offered to all Shareholders on a pro-rata basis. However, a rights issue or an open offer exercise will require a relatively lengthy process including but not limited to, the preparation of the requisite compliance and legal documentation such as announcements, circulars, prospectus etc.. The administrative costs involved would also be higher due to the need to issue prospectus and application forms and underwriting fee/placing commission would be incurred.

We have further discussed and understand from the Management that the Company has also approached its existing and new bankers to explore the possibility of additional borrowings. Based on their discussions, the Company was given to understand that given the current global and regional economic environment, the respective banks are reluctant to provide additional financing without additional asset backing and/or interest rates being higher than the existing borrowing rates of the Company.

We also understand the Company has considered bonds or convertible bonds issuance. Again, considering the existing debt level and gearing ratio of the Company and ongoing financing costs associated, the Directors are of the view and we concur that bearing additional liabilities would not be in the interests of the Company in the longer run.

After considering all the alternatives as discussed above, the Company resolved to proceed with the Top-up Placing and the Subscription. On 26 September 2019, the Company completed the Top-up Placing where 33,180,000 Shares were placed to no less than six independent third parties under general mandate. The net proceeds, after deducting all relevant expenses, arising from the Top-up Placing amounted to approximately HK\$50.5 million and the Company intends to utilise such net proceeds for settling outstanding liabilities of the Group. At the same time, the Management considers that a placing to the Subscriber on one hand provides an efficient means of raising capital for the Group's immediate needs, it also shows the Subscriber's continued support for the Company's development and future growth.

Given that (i) the Subscription is expected to improve the gearing position of the Group upon completion of the Subscription, in particular, the enhancement in working capital, cash position and net asset value of the Group; and (ii) the Subscription is considered one of the most appropriate and efficient means for the Group to raise funds among other fund raising alternatives for the moment, the Directors consider, and we concur, that the entering into of the Subscription Agreement is in the interests of the Company and its shareholders as a whole.

3. Principal terms of the Subscription Agreement

3.1 Key terms of the Subscription Agreement

On 20 September 2019, the Company entered into the Subscription Agreement with the Subscriber, pursuant to which, the Subscriber has conditionally agreed to subscribe, and the Company has conditionally agreed to issue the Subscription Shares at the Subscription Price of HK\$1.55 per Subscription Share. Based on the Subscription Price and 12,902,000 Subscription Shares to be subscribed by the Subscriber, the total subscription monies payable by the Subscriber to the Company pursuant to the Subscription Agreement amount to approximately HK\$20,000,000, which will be settled by cash.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Subscriber with reference to the Placing Price of HK\$1.55 each, details of which were announced by the Company on 20 September 2019.

3.2 Conditions precedent

Completion of the transactions contemplated in the Subscription Agreement is conditional upon fulfilment of the following conditions:

- (i) the duly passing of the following resolution(s) at the EGM in relation to the Subscription Agreement and the transactions contemplated thereunder:
 - (a) the Specific Mandate for the allotment and issuance of the Subscription Shares; and
 - (b) the Subscription Agreement and the transactions contemplated thereunder;
- (ii) the Listing Committee of the Stock Exchange granting or agreeing to grant the listing of, and permission to deal in, the Subscription Shares (and such listing and permission not subsequently revoked prior to completion of the Subscription Agreement);
- (iii) the Company obtaining all necessary written consents and approvals (if any) from the relevant authorities in respect of the transactions contemplated under the Subscription Agreement, if applicable; and
- (iv) the representations and warranties of the Company and the Subscriber being true and accurate and not misleading at all times from the date of the Subscription Agreement up to and including the date of completion of the Subscription Agreement.

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In the event that the conditions precedent above are not fulfilled by the Long Stop Date, the Subscription Agreement shall cease and terminate and neither of the Parties shall have any claim against the other for costs, damages, compensation or otherwise.

3.3 Lock-up Undertaking

Pursuant to the terms of the Subscription Agreement, the Subscriber undertakes that the Subscription Shares are subject to a lock-up period of twelve months from the completion date during which the Subscriber shall not offer, lend, contract to sell, pledge, grant any option to purchase or otherwise dispose of, any of the Subscription Shares.

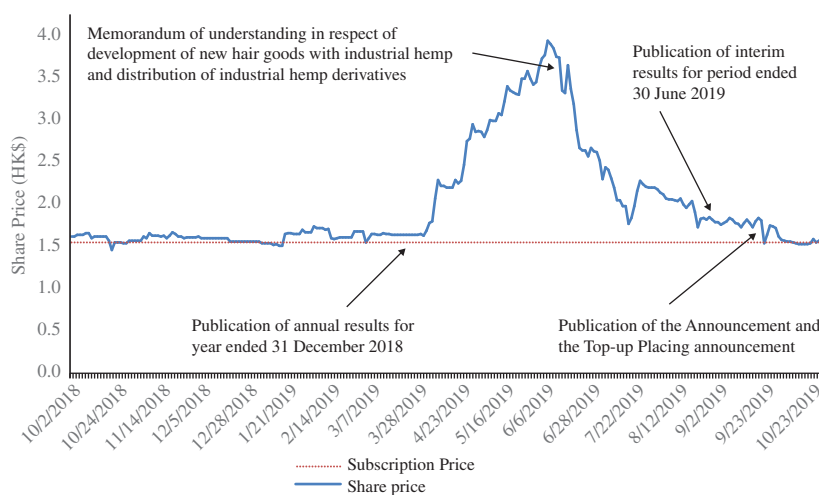
4. The Subscription Price

4.1 Evaluation of the Subscription Price

Pursuant to the Subscription Agreement, 12,902,000 Subscription Shares at the Subscription Price of HK\$1.55 each will be issued by the Company upon completion.

(i) Historical Share Performance

Set out below is a chart reflecting movements in the closing prices of the Shares from 2 October 2018, being roughly twelve months before the date of the Subscription Agreement, up to and including the Latest Practicable Date, which represented a sufficient period of time to provide a general overview on the recent market performance of the Shares (the “Review Period”).



Source: Website of the Stock Exchange

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From the chart above, the Shares price closed in a wide range between HK\$1.46 and HK\$3.94 per Share during the period from 2 October 2018 to the date of the Subscription Agreement (both dates inclusive) (the “**Pre-Announcement Period**”), being approximately 12 months immediately before the publication of the announcement on 22 September 2019 in relation to the Subscription and transactions contemplated thereunder (the “**Announcement**”), with an average of approximately HK\$2.04. The average Share closing price for the entire Review Period was approximately HK\$2.00 per Share.

As shown in the chart above, the closing price for the Shares was generally trading in range closing price generally fluctuated within a tight range between HK\$1.46 and HK\$1.74 per Share with an average of approximately HK\$1.61, during the period from 2 October 2018 up to 26 March 2019, being the last trading day immediately before the publication of the Company’s annual results announcement for year ended 31 December 2018 (“**FY2018 Announcement**”). Subsequent to the issue of the FY2018 Announcement, the closing price of the Shares increased by approximately 8.5% between 27 March 2019 and 3 April 2019. Closing price of the Shares then exhibited a general upward trend since the publication of the FY2018 Announcement and reached the peak of HK\$3.94 on 6 June 2019.

Subsequent to 6 June 2019, closing price of the Shares depicted a gradual downward trend, declining to HK\$1.73 each on 21 August 2019. We have discussed such share price movement with the Management and understand that the Company is not aware of any particular reason for the price decrease. In this regard, we have also reviewed the movements in the Hang Seng Index during the similar period between 2 July 2019 and 26 August 2019, and we noted a decline in the index value by approximately 11.1%.

The Company published its interim result for six months ended 30 June 2019 after trading hours on 27 August 2019, and the closing price of the Shares gradually declined from HK\$1.85 each on 27 August 2019 to HK\$1.76 per Share on 2 September 2019, representing a decrease of approximately 3.3%. The closing prices of the Shares then fluctuated within the range of HK\$1.73 and HK\$1.84 immediately before the Announcement. Following the publication of the announcement in relation to the Top-up Placing and the Subscription Agreement on 22 September 2019, the closing price of the Shares dropped by approximately 14.5% to HK\$1.54 per Share on 23 September 2019 being the next trading day following the announcement. The closing price per Share then fluctuated between HK\$1.53 and HK\$1.75 between 24 September 2019 and 22 October 2019, and was HK\$1.55 as at the Latest Practicable Date.

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As disclosed in the letter from the Board, the Subscription Price of HK\$1.55 per Subscription Share represents:

- (i) a discount of approximately 14.36% to the closing price of HK\$1.81 per Share as quoted on the Stock Exchange on the date of the Subscription Agreement;
- (ii) a discount of approximately 13.41% to the average closing price of approximately HK\$1.79 per Share as quoted on the Stock Exchange for the last 5 consecutive trading days up to and including the date of the Subscription Agreement;
- (iii) a discount of approximately 12.92% to the average closing price of approximately HK\$1.78 per Share as quoted on the Stock Exchange for the last 10 consecutive trading days up to and including the date of the Subscription Agreement;
- (iv) a discount of approximately 15.76% to the average closing price of approximately HK\$1.84 per Share as quoted on the Stock Exchange for the last 30 consecutive trading days up to and including the date of the Subscription Agreement; and
- (v) a premium of approximately 33.62% over the equity attributable to owners of the Company per Share as at 30 June 2019 of approximately HK\$1.16 based on the total equity attributable to owners of the Company as at 30 June 2019 of approximately HK\$755.1 million and the total number of issued Shares as at the Latest Practicable Date of 648,180,000.

We note that the Subscription Price represents a discount of around 24.02% as compared with the average closing price per Share during the Pre-Announcement Period. We note that however the Company has, on the same date as the Announcement, published the announcement in relation to the Top-up Placing where the Placing Price was equal to the Subscription Price, being HK\$1.55, on the same day. With reference to the Company's announcement on 26 September 2019 we noted that the Top-up Placing has been completed with 33,180,000 shares placed to six or more independent third parties.

We consider that Placing Price is a reflection of the market demand for the Company's Shares and therefore, is indicative of the market valuation of the Company. As such, in light of the completion of the Top-up Placing and the Subscription Price being equal to the Placing Price, and that the Subscription Price represents a premium over the equity attributable to owners of the Company as at 30 June 2019, we consider the determination of the Subscription Price primarily based on the Placing Price reasonable.

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(ii) Comparison with recent issue of shares

To further assess the fairness and reasonableness of the Subscription Price, we have conducted a comparable analysis through identifying companies listed on the Main Board of the Stock Exchange (excluding companies under prolonged suspension or debt restructuring), which announced issues of shares under specific mandate during the period from 1 June 2019 up to and including the Latest Practicable Date (“**Comparable Share Issues**”). We consider such list an exhaustive list of relevant comparable issues of shares based on the said criteria above.

Despite the subject companies constituting the Comparable Share Issues may have different principal activities, market capitalisation, profitability and financial position as compared with those of the Company, and different reasons for their respective fund raising activities, we would still consider, in light of our selection criteria, capturing recent issue of shares by listed companies under similar market conditions and sentiments can provide Shareholders with a general reference on the recent market trend of this type of transaction in Hong Kong equity capital market. Based on the aforesaid, despite the large range of discount/premium represented by the respective issue price under the Comparable Share Issues, we regard the Comparable Share Issues being meaningful and representative samples for Shareholders to consider amongst the other factors in assessing the fairness and reasonableness of the Subscription Price. We would also consider the review period chosen to be fair and reasonable as it reflects the prevailing market environment.

| Announcement Date | Listed Company | Stock Code | Placing/ issued/ subscription price per share (HK\$) | Number of placing/ issued/ subscription shares (Shares) | Premium/ (discount) | Premium/ (discount) | Premium/ (discount) | Remarks | |
|-------------------|---|------------|--|---|---|--|--|---------|--------|
| | | | | | of the placing price over/to the average closing price of the placing price over/to the last 5 consecutive trading days prior to/up to and including the last trading day (%) | of the placing price over/to the average closing price of the placing price over/to the last 10 consecutive trading days prior to/up to and including the last trading day (%) | of the placing price over/to the average closing price of the placing price over/to the last 30 consecutive trading days prior to/up to and including the last trading day (%) | | |
| 05-Jun-19 | Royale Furniture Holdings Limited | 1198 | 1.02 | 433,093,554 | 6.25 | 5.15 | 5.15 | 2.00 | |
| 05-Jun-19 | China Singyes Solar Technologies Holdings Limited | 750 | 0.92 | 1,687,008,585 | (7.07) | (6.50) | (4.27) | 1.65 | |
| 12-Jun-19 | Purapharm Corporation Limited | 1498 | 1.93 | 15,544,041 | 0.00 | 3.42 | 2.28 | (4.08) | Note 1 |
| 20-Jun-19 | Shengjing Bank Co., Ltd. | 2066 | 6.818182 | 800,000,000 | 37.19 | 31.12 | 34.19 | 47.90 | |
| 30-Jun-19 | FDG Electric Vehicles Limited | 729 | 0.027 | 4,086,323,694 | (10.00) | (10.60) | (11.48) | (21.97) | Note 1 |

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

| Announcement Date | Listed Company | Stock Code | Placing/ issued/ subscription price per share (HK\$) | Number of placing/ issued/ subscription shares (Shares) | Premium/ (discount) of the placing price over/to the average closing price of the placing price over/to the closing price of shares immediately prior to/on the last trading day (%) | Premium/ (discount) of the placing price over/to the average closing price of the share over the last 5 consecutive trading days prior to/up to and including the last trading day (%) | Premium/ (discount) of the placing price over/to the average closing price of the share over the last 10 consecutive trading days prior to/up to and including the last trading day (%) | Premium/ (discount) of the placing price over/to the average closing price of the share over the last 30 consecutive trading days prior to/up to and including the last trading day (%) | Remarks |
|-------------------|--|------------|--|---|--|--|---|---|---------|
| 01-Jul-19 | Value Convergence Holdings Limited | 821 | 0.45 | 220,000,000 | (18.18) | (16.67) | (15.09) | (21.05) | |
| 10-Jul-19 | Glory Sun Financial Group Limited | 1282 | 0.25 | 4,000,000,000 | (19.35) | (21.88) | (28.57) | (19.36) | |
| 16-Jul-19 | DTXS Silk Road Investment Holdings Company Limited | 620 | 5.3873 | 111,187,538 | (17.88) | (15.00) | (10.23) | 17.99 | |
| 19-Jul-19 | Colour Life Services Group Co., Limited | 1778 | 5.22 | 22,956,000 | (3.51) | (6.95) | (5.67) | (0.60) | |
| 18-Sep-19 | United Strength Power Holdings Limited | 2337 | 5 | 40,000,000 | (23.08) | (12.92) | (10.25) | (6.19) | |
| 27-Sep-19 | Global Bio-chem Technology Group Company Limited | 809 | 0.108 | 1,228,607,685 | (20.00) | (23.73) | (25.77) | (31.60) | |
| 29-Sep-19 | Regal International Airport Group Company Limited | 357 | 4.69 | 200,000,000 | (8.40) | (8.54) | (9.95) | (5.46) | |
| | | | | Average | (7.00) | (6.93) | (6.64) | (3.40) | |
| | | | | Maximum | 37.19 | 31.12 | 34.19 | 47.90 | |
| | | | | Minimum | (23.08) | (23.73) | (28.57) | (31.60) | |
| | The Subscription Shares | | 1.55 | 12,902,000 | (14.36) | (13.41) | (12.92) | (15.76) | |

Note 1: Last trading day being the date of entering into of the subscription agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the table above, though the Subscription Price represents discounts as deeper than the average discounts of those under the Comparable Share Issues for all of the periods as illustrated in our table above, the discounts represented by the Subscription Price are within the respective range of the premium/discount derived from the Comparable Share Issues for the closing price prior to/on the last trading date, the last 5, 10 and 30 consecutive trading days prior to/on the last trading date. More importantly, as discussed in section headed “4.1 Evaluation of the Subscription Price – (i) Historical Share Performance” above, whilst the Placing Price is a reflection of the market demand for the Company’s Shares and therefore, is indicative of the market valuation of the Company, the Subscription Price being equal to the Placing Price and also representing a premium over the equity attributable to owners of the Company as at 30 June 2019, we are of the view that the Subscription Price is fair and reasonable and is in line with the market.

5. Effect on the shareholding structure of the Company

As disclosed in the Circular, the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after the Completion and the allotment and issue of the Subscription Shares in full as contemplated under the Subscription Agreement:

| Name of Shareholder | Shareholding immediately as at the Latest Practicable Date | | Shareholding immediately after the completion of the Subscription | |
|----------------------------|--|---------------|---|---------------|
| | Number of Shares | % | Number of Shares | % |
| | Chang Yoe Chong Felix The Subscriber | 9,790,600 | 1.51 | 9,790,600 |
| Seavi | 338,175,803 | 52.17 | 351,077,803 | 53.11 |
| Public Shareholders | 108,520,197 | 16.74 | 108,520,197 | 16.42 |
| Placees | 33,180,000 | 5.12 | 33,180,000 | 5.02 |
| Other public Shareholders | 158,513,400 | 24.46 | 158,513,400 | 23.97 |
| Total | 648,180,000 | 100.00 | 661,082,000 | 100.00 |

As shown in the table above and assuming the completion of the Subscription Agreement including the issuance of the Subscription Shares, the shareholding in the Company held by the public Shareholders will be diluted by approximately 1.99% from 29.58% to 28.99%.

Although the shareholding interest of the existing public Shareholders will be diluted, considering (i) the reasons for the Subscription Agreement as discussed under the section under “2. Reasons for the Subscription Agreement” above; and (ii) the terms of the Subscription

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Agreement, including the Subscription Price, being fair and reasonable as discussed under sections headed “4. *The Subscription Price*” above, we are of the view that the dilution effect on the shareholding of existing public Shareholders in the Company is acceptable.

6. Financial effects

As stated in the letter from the Board of the Circular, the net proceeds (after deducting professional fees and other related expenses) to be received by the Company from the issue of the Subscription Shares is expected to be around HK\$19.8 million. As disclosed in the 2019 Interim Report, the Group had cash and cash equivalents and net asset value of approximately HK\$60.6 million and HK\$752.7 million respectively as at 30 June 2019. Immediately upon completion of the Subscription, it is expected that the cash position and net asset value of the Group will be enhanced with the amount of net proceeds of the Subscription to be received by the Company.

As further stated in the letter from the Board of the Circular, the Company intends to apply the net proceeds from issue of the Subscription Shares for settling outstanding liabilities of the Group. Following the repayment of loans, it is expected that, based on the interim report as at 30 June 2019, the secured bank borrowings of the Group would decrease by approximately 2.7% and the gearing ratio (being the total interest-bearing debt (including secured bank borrowings, obligations under finance leases and any preferred shares) divided by total equity) of the Group would decrease to around 93.2% after completion of the Subscription.

As such, the Directors consider, and we concur that the financial position of the Group is expected to be strengthened after completion of the Subscription.

7. Discussion

Having considered, in particular:

- (i) as discussed in sub-section headed “2.2 *Financing alternatives*” above, the Subscription is considered one of the most appropriate and efficient means for the Group to raise funds among other fund raising alternatives for the moment;
- (ii) though the Subscription Price represents a discount to the prevailing market price, it is equal to the Placing Price and represents a premium over the equity attributable to owners of the Company as at 30 June 2019;
- (iii) the discounts represented by the Subscription Price to the prevailing market prices of the Shares being within the respective range of the premium/discount derived from the Comparable Share Issues; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (iv) as discussed in section headed “6. *Financial effects*” above, the Subscription is expected to improve the financial position of the Group upon completion of the Subscription,

we are of the view that the terms of the Transactions are fair and reasonable and in the interest of the Company and its Shareholders as a whole.

RECOMMENDATION

Having considered of the above principal factors and reasons, we consider that, though the Subscription Agreement is not in the ordinary and usual course of the business of the Company, terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and is in the interest of the Company and its Shareholders as a whole. We therefore advise that the Independent Shareholders, and the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions to be proposed at the EGM.

Yours faithfully,
for and on behalf of
SOMERLEY CAPITAL LIMITED
Lyan Tam
Director

Ms. Lyan Tam is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Somerley to carry out Type 6 (advising on corporate finance) regulated activities under the SFO and has over 17 years of experience in corporate finance industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and upon completion of the Subscription (assuming there is no other change in the issued share capital of the Company from the Latest Practicable Date up to the date of completion of the Subscription) are as follows:

| | | |
|--|---|-------------------|
| <i>Authorised share capital:</i> | | <i>US\$</i> |
| <u>1,000,000,000</u> | Shares | <u>10,000,000</u> |
| <i>Issued, fully paid or credited as fully paid:</i> | | <i>US\$</i> |
| 648,180,000 | Shares in issue as at the Latest Practicable Date | 6,481,800 |
| <u>12,902,000</u> | Subscription Shares to be allotted and issued upon completion of the Subscription | <u>129,020</u> |
| <u>661,082,000</u> | Shares | <u>6,610,820</u> |

All the issued Shares in the capital of the Company rank pari passu with each other in all respects including the rights as to voting, dividends and return of capital.

No part of the share capital or any other securities of the Company is listed or dealt in on any stock exchange other than the Stock Exchange and no application is being made or is currently proposed or sought for the Shares or any other securities of the Company to be listed or dealt in on any other stock exchange.

Save as disclosed above, as at the Latest Practicable Date the Company did not have any other options, warrants and other convertible securities or rights affecting the Shares and no capital of any member of the Group is under option, or agreed conditionally or unconditionally to be put under option.

3. DISCLOSURE OF INTERESTS

Directors' and chief executives' interests and short positions in Shares, underlying Shares and debentures

As at the Latest Practicable Date, the interests of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of 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 or 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 for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange, were as follows:

Interests in Shares of the Company (Long Position):

| Name | Capacity | Number of Shares | Approximate percentage of issued share capital of the Company |
|------------------------------|---|----------------------------|---|
| Mr. Chang Yoe Chong Felix | (i) Beneficiary of a trust/Founder of a discretionary trust | 338,175,803 ⁽¹⁾ | 52.17% |
| | (ii) Beneficial owner | 9,790,600 ⁽²⁾ | 1.51% |
| Mr. Chan Kwok Keung | Beneficial owner | 1,000,000 ⁽³⁾ | 0.15% |
| Mr. Kwok Yau Lung Anthony | Beneficial owner | 333,333 ⁽⁴⁾ | 0.05% |
| Mr. Hui Wing Ki | Beneficial owner | 223,333 ⁽⁵⁾ | 0.03% |
| Ms. Jia Ziyang | (i) Beneficial owner | 394,000 ⁽⁶⁾ | 0.06% |
| | (ii) Interest of spouse | 100,000 ⁽⁸⁾ | 0.02% |
| Mr. Li Yanbo | (i) Beneficial owner | 100,000 ⁽⁷⁾ | 0.02% |
| | (ii) Interest of spouse | 394,000 ⁽⁸⁾ | 0.06% |

Notes:

- (1) These Shares are held directly by the Subscriber, a direct wholly owned subsidiary of Golden Evergreen. 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. FC Management is directly and wholly owned by HSBC International Trustee Limited as the trustee of the Felix Family Trust. CLC Management is directly and wholly owned by HSBC International Trustee Limited as the trustee of the CLC Family Trust. Accordingly, each of Mr. Chang Chih Lung and Mr. Chang Yoe Chong Felix is deemed to be interested in the Shares which are interested by HSBC International Trustee Limited under the SFO.

- (2) These Shares are beneficially owned by Mr. Chang Yoe Chong Felix.
- (3) These Shares were granted by the Company to Mr. Chan Kwok Keung on 16 January 2018 pursuant to the Share Award Scheme.
- (4) These Shares were granted by the Company to Mr. Kwok Yau Lung Anthony on 16 January 2018 pursuant to the Share Award Scheme.
- (5) These Shares were granted by the Company to Mr. Hui Wing Ki on 16 January 2018 pursuant to the Share Award Scheme.
- (6) These Shares were granted by the Company to Ms. Jia Ziyong on 16 January 2018 pursuant to the Share Award Scheme.
- (7) These Shares were granted by the Company to Mr. Li Yanbo on 16 January 2018 pursuant to the Share Award Scheme.
- (8) Ms. Jia Ziyong is the spouse of Mr. Li Yanbo. As such, Ms. Jia Ziyong and Mr. Li Yanbo are deemed to be interested in each other's interest.
- (9) Based on a total of 648,180,000 issued Shares as at the Latest Practicable Date.

Interest in the Shares of the Associated Corporations of the Company (Long Position):

| Name | Name of our associated corporations | Capacity | Number of Shares | Approximate percentage of issued share capital of the Company |
|--|---|---|-------------------------|--|
| Mr. Chang Yoe Chong Felix ⁽³⁾ | The Subscriber ⁽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% |

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

Notes:

- (1) The Subscriber, a direct wholly owned subsidiary of Golden Evergreen, holds more than 50% of the issued share capital of the Company. 49% and 51% of the issued share capital of Golden Evergreen are owned by FC Investment (a direct wholly owned subsidiary of FC Management) and CLC Investment (a direct wholly owned subsidiary of CLC Management), respectively. Accordingly, each of the Subscriber, 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 the Subscriber. 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 the Subscriber and an associated corporation of the Company.
- (3) Each of FC Management and CLC Management is directly and wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. The CLC Family Trust is a discretionary trust established by Mr. Chang Chih Lung (the father of Mr. Chang Yoe Chong Felix, and a controlling shareholder as well as a substantial shareholder of the Company as at the Latest Practicable Date) as the settlor, with Mr. Chang Yoe Chong Felix and his issue being the beneficiaries. The Felix Family Trust is a discretionary trust established by Mr. Chang Yoe Chong Felix as the settlor, with Mr. Chang Chih Lung, Mr. Chang Ka Wai Aidan (the son of Mr. Chang Yoe Chong Felix and a minor) and Mr. Chang Yoe Chong Felix's issues being the beneficiaries. Accordingly, Mr. Chang Yoe Chong Felix is deemed to be interested in the above associated corporations of the Company under the SFO.
- (4) Each of Loyal Helper Supply Limited and Evergreen Housekeepers Training Center Limited is 100% owned by Sunleaf Holdings Limited, which is 70% owned by Eastern Earnings (China) Company Limited. Eastern Earnings (China) Company Limited is 51% owned by FC Investment, which is 100% held by FC Management. Accordingly, Mr. Chang Yoe Chong Felix is deemed to be interested in the above associated corporations of the Company under the SFO.
- (5) Such shares are held by Prince Orchid Limited, which is 100% owned by Mr. Chang Yoe Chong Felix.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or proposed Director and chief executives of the Company and their respective associates had or was deemed to have any interests or short positions in any 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 deemed or taken to have under provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register maintained by the Company, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, to be notified to the Company and the Stock Exchange.

Save as disclosed herein, as at the Latest Practicable Date, none of the Directors or proposed Director was a director or employee of a company which had any interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Substantial Shareholders' interests and short positions in the Shares, underlying Shares and debentures

As at the Latest Practicable Date, so far as is known to the Directors, the interests of substantial shareholders (as defined in the Listing Rules) in the Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under Section 336 of the SFO were as follows:

Interests in Shares of the Company (Long Position):

| Name | Capacity | Number of Shares | Approximate percentage of issued share capital of the Company |
|---|---|------------------|---|
| the Subscriber ⁽¹⁾ | Beneficial owner | 338,175,803 | 52.17% |
| Golden Evergreen ⁽¹⁾ | Interest of controlled corporation | 338,175,803 | 52.17% |
| FC Investment ⁽¹⁾ | Interest of controlled corporation | 338,175,803 | 52.17% |
| FC Management ⁽¹⁾ | Interest of controlled corporation | 338,175,803 | 52.17% |
| CLC Investment ⁽¹⁾ | Interest of controlled corporation | 338,175,803 | 52.17% |
| CLC Management ⁽¹⁾ | Interest of controlled corporation | 338,175,803 | 52.17% |
| HSBC International Trustee Limited ⁽¹⁾ | Trustee of a trust | 338,175,803 | 52.17% |
| Mr. Chang Chih Lung ⁽¹⁾ | Beneficiary of a trust/Founder of a discretionary trust | 338,175,803 | 52.17% |
| Ms. Wong Hor Yan ⁽²⁾ | Interest of spouse | 347,966,403 | 53.68% |
| Seavi ⁽³⁾ | Beneficial owner | 108,520,197 | 16.74% |
| Codan Trust Company (Cayman) Limited ⁽³⁾ | Interest in controlled corporation | 108,520,197 | 16.74% |

Notes:

- (1) The Subscriber is a direct wholly owned subsidiary of Golden Evergreen. 49% and 51% of issued share capital of Golden Evergreen are owned by FC Investment (a direct wholly owned subsidiary of FC Management) and CLC Investment (a direct wholly owned subsidiary of CLC Management), respectively. Each of FC Management and CLC Management is directly and wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. Mr. Chang Chih Lung is the settlor of the CLC Family Trust and one of the beneficiaries of the Felix Family Trust. Accordingly, each of Golden Evergreen, FC Investment, FC Management, CLC Investment, CLC Management, HSBC International Trustee Limited and Mr. Chang Chih Lung is deemed to be interested in the Shares held by the Subscriber 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 is wholly owned by SEAVI Advent Equity V (A) Ltd and is indirectly controlled by Codan Trust Company (Cayman) Limited. Codan Trust Company (Cayman) Limited is therefore deemed to be interested in the Shares held by Seavi under the SFO.
- (4) Based on a total of 648,180,000 issued Shares as at the Latest Practicable Date.

Save as disclosed herein, there is no person known to the Directors, who, as at the Latest Practicable Date, had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who was directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

4. DIRECTORS' INTERESTS IN CONTRACTS OR ARRANGEMENT AND ASSETS OF THE GROUP

As at the Latest Practicable Date, none of the Directors or proposed Directors or expert (as named in this circular) had any direct or indirect interest in the assets which had been, since 31 December 2018, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date and which was significant in relation to the business of the Group.

5. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors and any proposed Directors and their respective close associates was interested in any business apart from the Group's business that competes or is likely to compete (either directly or indirectly) with the business of the Group.

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing service contract or proposed service contract with any member of the Group which is not expiring or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2018, the date to which the latest published audited financial statements of the Group were made up.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice contained in this circular:

| Names | Qualifications |
|--------------------------|--|
| Somerley Capital Limited | A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO |

Somerley has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or advice, and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, Somerley did not have any shareholding in any member of the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, Somerley did not have any direct or indirect interest in any assets which had been, since 31 December 2018, being the date to which the latest published audited consolidated accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong during normal business hours on any Business Day from the Latest Practicable Date up to and including the date of the EGM:

- (i) the Subscription Agreement;
- (ii) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on page 15 of this circular;
- (iii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 16 to 33 of this circular;
- (iv) the written consent referred to in the paragraph headed “Expert and Consent” in this appendix; and
- (v) this circular.

NOTICE OF THE EGM



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)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of Evergreen Products Group Limited (the “Company”) will be held at 11/F, Chiap Luen Industrial Building, 30-32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong on Wednesday, 13 November 2019 at 3:30 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution as an ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

“THAT

- (a) a subscription agreement dated 20 September 2019 (the “**Subscription Agreement**”) entered into between the Company and Evergreen Enterprise Holdings Limited (a copy of the Subscription Agreement having been produced to the meeting and marked “A” and initialled by the chairman of the meeting for the purpose of identification) in respect of the subscription of 12,902,000 new shares of US\$0.01 each in the share capital of the Company (the “**Subscription Shares**”) at a subscription price of HK\$1.55 per Subscription Share and the transactions contemplated thereunder be and is hereby approved, confirmed and ratified;
- (b) allotment and issue of the Subscription Shares by the Company to Evergreen Enterprise Holdings Limited and is hereby approved; and
- (c) any one Director be and is hereby authorised for and on behalf of the Company to do all such acts and things and execute all such documents which he/she considers necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Subscription Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 29 October 2019

NOTICE OF THE EGM

Notes:

- (i) Unless otherwise defined in this notice or the context requires otherwise, terms defined in this circular shall have the same meanings when used in this notice.
- (ii) The resolution at the meeting will be taken by poll (except where the Chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of the Stock Exchange and the Company in accordance with the Listing Rules.
- (iii) Members of the Company whose names appear on the register of members maintained by the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong on Wednesday, 13 November 2019 shall qualify for attending and voting at the extraordinary general meeting. The register of members of the Company will be closed from Tuesday, 12 November 2019 to Wednesday, 13 November 2019 (both days inclusive), during which period no share transfer will be registered. In order to qualify to attend and vote on the proposed resolutions set out in this notice, all transfers 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. (Hong Kong time) on Monday, 11 November 2019.
- (iv) A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies (if he is a holder of more than one share) to attend and vote on his behalf. A proxy need not be a member of the Company.
- (v) The instrument appointing a proxy and the power of attorney or other, if any, under which it is signed, or a notarially certified copy of such power of attorney or other authorisation document(s), must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the meeting or any adjournment thereof.
- (vi) Completion and return of the proxy form will not preclude shareholders of the Company from attending and voting in person at the EGM, or any adjourned meeting, should they so wish.
- (vii) Pursuant to Rule 13.39(4) of the Listing Rules, all votes of shareholders at the EGM will be taken by poll except where the chairman of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The Company will announce the results of the poll in the matter prescribed under Rule 13.39(5) of the Listing Rules.

As at the date of this notice, the executive Directors are Mr. Chang Yoe Chong Felix, Mr. Kwok Yau Lung Anthony, Mr. Chan Kwok Keung, Mr. Hui Wing Ki, Ms. Jia Ziyang and Mr. Li Yanbo; the non-executive Directors are 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, Mr. Szeto Yuk Ting and Ir. Cheung Siu Wa.