訓修 Evergreen

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1962)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

FINANCIAL HIGHLIGHTS

- Revenue for the Year amounted to HK$777.4 million, representing an increase of 6.2% from HK$732.2 million for the year ended 31 December 2018.

- Gross profit margin for the Year was 33.1%, representing a slight decrease of 1.8 percentage points from 34.9% for the year ended 31 December 2018.

- Net profit for the Year amounted to HK$86.2 million, representing a decrease of 22.1% from HK$110.6 million for the year ended 31 December 2018.

- Basic and diluted earnings per Share attributable to equity shareholders of the Company for the Year were approximately HK15 cents and HK14 cents, respectively, representing a decrease of approximately 16.7% and approximately 22.2%, respectively, as compared with the year ended 31 December 2018.

- As at 31 December 2019, the gearing ratio of the Group, 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 83.0% as compared to 91.0% as at 31 December 2018.

- The Board has recommended the payment of a final dividend of HK2.0 cents per Share for the Year, plus the interim dividend of HK1.0 cent per Share already declared and paid, making a total dividend of HK3.0 cents per Share (2018: final dividend of HK2.5 cents per Share and interim dividend of HK4.2 cents per Share). The dividend payout ratio for the Year was approximately 22.9% (2018: 37.3%).

CONSOLIDATED ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Evergreen Products Group Limited (the "**Company**") hereby announces the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Year**") as set out below:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Revenue	4	**777,405**	732,170
Cost of goods sold		**(520,397)**	(476,405)
Gross profit		**257,008**	255,765
Other income	6	**2,868**	2,887
Other gains and losses	7	**3,463**	8,226
Distribution and selling expenses		**(14,962)**	(16,015)
Administrative expenses		**(140,177)**	(123,034)
Other expenses	8	**(729)**	(1,333)
Finance costs	9	**(20,677)**	(15,524)
Profit before tax	10	**86,794**	110,972
Income tax expense	11	**(594)**	(361)
Profit for the year		**86,200**	110,611
Other comprehensive income (expense) for the year:			
Items that will not be reclassified to profit or loss:			
Surplus on revaluation of land and buildings		**12,482**	13,928
Deferred tax arising from revaluation of land and buildings		**(879)**	(1,232)
		11,603	12,696
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(2,957)**	(3,330)
Other comprehensive income for the year, net of income tax		**8,646**	9,366
Total comprehensive income for the year		**94,846**	119,977

	NOTE	2019 HK$'000	2018 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**90,328**	110,975
Non-controlling interests		**(4,128)**	(364)
		86,200	110,611
Total comprehensive income (expense) attributable to:			
Owners of the Company		**98,985**	120,386
Non-controlling interests		**(4,139)**	(409)
		94,846	119,977
Earnings per share (HK$)	*13*		
– basic		**0.15**	0.18
– diluted		**0.14**	0.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current assets			
Property, plant and equipment	14	**721,680**	553,951
Right-of-use assets	14	**29,041**	–
Prepaid lease payments		**–**	18,412
Non-current deposits	15	**19,570**	21,321
Financial assets at fair value through profit or loss		**25,761**	24,766
		796,052	618,450
Current assets			
Inventories		**476,613**	430,889
Trade and other receivables	15	**319,159**	269,986
Prepaid lease payments		**–**	344
Tax recoverable		**950**	962
Pledged bank deposits		**93,097**	84,785
Bank balances and cash		**36,109**	68,873
		925,928	855,839
Current liabilities			
Trade and other payables	16	**60,643**	64,773
Contract liabilities	17	**3,391**	4,638
Amount due to a related company		**50,000**	30,000
Amount due to a non-controlling shareholder of a subsidiary		**2,700**	8,845
Tax payable		**3,172**	2,967
Secured bank borrowings	18	**672,444**	646,788
Bank overdrafts		**41,500**	–
Derivative liabilities		**345**	499
Lease liabilities/obligations under finance lease		**3,024**	52
		837,219	758,562
Net current assets		**88,709**	97,277
		884,761	715,727

	NOTE	2019 HK$'000	2018 HK$'000
Capital and reserves			
Share capital	*19*	**51,432**	47,847
Reserves		**811,827**	664,080
Equity attributable to owners of the Company		**863,259**	711,927
Non-controlling interests		**2,637**	(1,059)
Total equity		**865,896**	710,868
Non-current liabilities			
Deferred tax liabilities		**5,370**	4,703
Lease liabilities/obligations under finance lease		**8,594**	156
Secured bank borrowings		**4,901**	–
		18,865	4,859
		884,761	715,727

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. GENERAL

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

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

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

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

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

2.1 HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the current year. HKFRS 16 superseded HKAS 17 "Leases" ("**HKAS 17**"), and the related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 "Determining whether an Arrangement contains a Lease" and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying HKFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. relied on the assessment of whether leases are onerous by applying HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as an alternative of impairment review;

ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application; and

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rates applied by the relevant group entities range from 4.75% to 7.20%.

	Note	At 1 January 2019 HK$'000
Operating lease commitments disclosed as at 31 December 2018		19,630
Lease liabilities discounted at relevant incremental borrowing rates		9,391
Less: Practical expedient–leases with lease term ending within 12 months from the date of initial application		(422)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16		8,969
Add: Obligations under finance lease recognised at 31 December 2018	*(b)*	208
Lease liabilities as at 1 January 2019		9,177
Analysed as		
Current		822
Non-current		8,355
		9,177

The carrying amount of right-of-use assets for own use as at 1 January 2019 comprises the following:

	Notes	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16		8,969
Reclassified from prepaid lease payments	*(a)*	18,756
Amounts included in property, plant and equipment under HKAS 17		
– Assets previously under finance lease	*(b)*	260
Adjustments on rental deposits at 1 January 2019	*(c)*	314
		28,299

Notes:

a. Upfront payments for leasehold lands in the People's Republic of China (the "**PRC**") were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$344,000 and HK$18,412,000 respectively were reclassified to right-of-use assets.

b. In relation to assets previously under finance lease, the Group recategorised the carrying amounts of the relevant assets which were still under lease as at 1 January 2019 amounting to HK$260,000 as right-of-use assets. In addition, the Group reclassified the obligations under finance lease of HK$208,000 to lease liabilities as current liabilities at 1 January 2019.

c. Before the application of HKFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which HKAS 17 applied. Based on the definition of lease payments under HKFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, HK$314,000 was adjusted to refundable rental deposits paid and right-of-use assets.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under HKFRS 16 at 1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
Non-current Assets			
Property, plant and equipment	553,951	(260)	553,691
Right-of-use assets	–	28,299	28,299
Prepaid lease payments	18,412	(18,412)	–
Current Assets			
Trade and other receivables	269,986	(314)	269,672
Prepaid lease payments	344	(344)	–
Current Liabilities			
Lease liabilities	–	822	822
Obligations under finance lease	52	(52)	–
Non-current Liabilities			
Lease liabilities	–	8,355	8,355
Obligations under finance lease	156	(156)	–

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated. The application of HKFRS 16 has had no material impact on the Group's consolidated financial statements for the year ended 31 December 2019.

2.2 Amendments to HKFRSs *Annual Improvements to HKFRSs 2015-2017 Cycle*

The annual improvement packages included amendments to HKAS 23 "Borrowing Costs" which clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings. The amendments have had no material impact on the Group's consolidated financial statements for the year ended 31 December 2019.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, "the Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;

- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and

- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and
- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for the Group's annual period beginning on or after 1 January 2020. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

Except for the amendments to HKFRSs and New Framework mentioned above, the Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2019 but are extracted from those financial statements.

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

4. REVENUE

Disaggregation of revenue from contracts with customers

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

	2019	2018
	HK$'000	*HK$'000*
Group revenue by products		
Wigs, hair accessories and others	**554,762**	526,498
High-end human hair extensions	**184,508**	165,638
Halloween products	**38,135**	40,034
	777,405	732,170

All revenue is recognised at a point in time.

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

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

5. SEGMENT INFORMATION

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

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

Geographical information

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

	Revenue from external customers	
	2019	2018
	HK$'000	*HK$'000*
The United States of America (the "**USA**")	**610,439**	594,346
The PRC	**17,609**	50,993
The United Kingdom	**19,480**	32,113
Germany	**74,883**	4,088
Others	**54,994**	50,630
	777,405	732,170

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

	2019	2018
	HK$'000	*HK$'000*
Customer A[1]	**235,117**	138,838
Customer B[1]	**114,104**	103,635
Customer C[2]	**N/A**	93,553

1 The owner of Customer A is a relative of the owner of Customer B.
2 The revenue of Customer C in 2019 was not more than 10% of the total revenue of the Group.

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

	2019	2018
	HK$'000	*HK$'000*
Bangladesh	**578,422**	410,660
Hong Kong	**95,240**	89,443
The PRC	**49,861**	51,686
The USA	**19,610**	19,592
Japan	**2,168**	2,145
Thailand	**8,131**	7,317
Ukraine	**15,953**	12,841
	769,385	593,684

Note: Non-current assets excluded financial assets at fair value through profit or loss ("**FVTPL**").

6. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
The amount represents:		
Bank interest income	**381**	279
Processing income	**140**	85
Rental income from warehouses	**983**	982
Sundry income	**1,364**	1,541
	2,868	2,887

7. OTHER GAINS AND LOSSES

	2019	2018
	HK$'000	*HK$'000*
Changes in fair value of the financial assets at FVTPL	**3,739**	1,081
Changes in fair value of derivative liabilities	**154**	234
Gain on disposal of property, plant and equipment	**–**	6,796
Loss on disposal of right-of-use assets	**(10)**	–
Net foreign exchange (losses) gains	**(420)**	115
	3,463	8,226

8. OTHER EXPENSES

	2019	2018
	HK$'000	*HK$'000*
Donation expense	**729**	1,333
	729	1,333

9. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank borrowings	**35,701**	25,193
Less: amount capitalised in the cost of qualifying assets	**(15,853)**	(9,669)
	19,848	15,524
Interest on lease liabilities	**829**	–
	20,677	15,524

10. PROFIT BEFORE TAX

	2019	2018
	HK$'000	*HK$'000*
Profit before tax has been arrived at after charging:		
Amortisation of prepaid lease payments	**–**	342
Depreciation on property, plant and equipment	**38,573**	27,343
Depreciation of right-of-use assets	**4,572**	–
Total depreciation and amortisation	**43,145**	27,685
Directors' emoluments		
– fee	**1,168**	1,000
– salaries and other benefits	**3,780**	2,696
– equity settled share-based expenses	**984**	742
– retirement benefit schemes contributions	**93**	78
	6,025	4,516
Staff's salaries and other benefits	**293,925**	251,073
Staff's equity settled share-based expenses	**2,543**	2,177
Staff's retirement benefits scheme contributions	**19,217**	17,956
Total staff costs	**321,710**	275,722
Auditor's remuneration	**1,410**	1,830
Cost of inventories recognised as expense (included in cost of goods sold)	**520,397**	476,405
Operating lease payments in respect of rented premises	**–**	4,230

11. INCOME TAX EXPENSE

	2019	2018
	HK$'000	*HK$'000*
The taxation charge comprises:		
Current tax:		
Hong Kong	**–**	35
The PRC Enterprise Income Tax ("**EIT**")	**184**	–
Other jurisdictions	**622**	598
	806	633
Deferred tax		
Current year	**(212)**	(272)
	594	361

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "**Bill**") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

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

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

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

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

No Bangladesh income tax was provided in the consolidated financial statements as one of the subsidiaries operating in Bangladesh is exempted from income tax for 10 financial years from the date of commencement of commercial operations (i.e. 10 May 2010) up to 2020 while the remaining entities in Bangladesh have no assessable profits for both years.

For Japan, the applicable prevailing tax rate was 27% for both years.

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

12. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2019 interim dividend paid – HK1.00 cent (2018: 2018 interim dividend of HK4.20 cents) per share	**6,482**	25,830
2018 final dividend of – HK2.50 cents (2018: 2017 final dividend of HK8.13 cents) per share	**15,375**	50,000
	21,857	75,830

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2019 of HK2.0 cents (2018: final dividend in respect of the year ended 31 December 2018 of HK2.50 cents) per ordinary share, in an aggregate amount of HK$13,222,000 (2018: HK$15,375,000), has been proposed by the Directors and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

13. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Earnings attributable to owner of the Company:		
Earnings for the purpose of calculating basic and diluted earnings per share	**90,328**	110,975

	2019	2018
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	**621,664,000**	610,108,000
Effect of dilutive potential ordinary share:		
Share award scheme	**2,268,000**	4,679,000
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	**623,932,000**	614,787,000

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

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

During the Year, the Group spent approximately HK$198.0 million (2018: HK$202.7 million) on property, plant and equipment.

The Group's leasehold land and buildings classified as property, plant and equipment were revalued by the third party qualified valuer engaged by the Company as at the end of the reporting period. The resulting revaluation surplus of HK$12,482,000 has been credited to the properties revaluation reserve for the year ended 31 December 2019 (2018: revaluation surplus of HK$13,928,000).

During the current year, the Group entered into new or renewed lease agreements for the use of leasehold land and buildings ranging from 2 to 49 years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised HK$5,547,000 of right-of-use assets and HK$5,455,000 of lease liabilities.

15. TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables		
– contracts with customers	**183,607**	162,473
Other receivables	**26,111**	19,645
Purchase rebate receivables	**19,786**	15,953
Other tax receivables	**1,293**	4,733
Prepayments	**10,754**	9,705
Deposits paid to suppliers	**77,608**	57,028
Deposits for acquisition of property, plant and equipment	**18,664**	21,321
Property rental deposits	**906**	449
	338,729	291,307
Analysis for reporting purpose as:		
Non-current assets	**19,570**	21,321
Current assets	**319,159**	269,986
	338,729	291,307

Rental deposits paid included in other receivables were adjusted upon the initial application of HKFRS 16. Details of the adjustments are set out in Note 2.

As at 1 January 2018, trade receivables from contracts with customers amounted to HK$126,821,000.

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

	2019	2018
	HK$'000	*HK$'000*
0 – 60 days	**137,770**	119,487
61 – 90 days	**34,233**	27,579
91 – 120 days	**5,234**	10,895
Over 120 days	**6,370**	4,512
	183,607	162,473

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

Before accepting any new customers, the Group has an internal credit control system to assess the potential customers' credit quality and the Board of Directors has delegated the management to be responsible for determination of credit limits and credit approvals for customers. Limits attributed to customers are reviewed periodically.

As at 31 December 2019, trade receivables of HK$35,970,000 (2018: HK$14,653,000) are past due. Such receivables relate to a number of customers of which substantial subsequent settlements were made and the credit quality of these customers had not been deteriorated. The Group does not hold any collateral over these balances.

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

16. TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**36,568**	38,582
Accrued staff costs	**19,721**	20,141
Accruals and other payables	**4,354**	6,050
	60,643	64,773

No credit period on purchases of goods is granted but the Group will normally settle within 60 days.

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

	2019	2018
	HK$'000	*HK$'000*
0 – 60 days	**36,568**	38,582

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

	2019	2018
	HK$'000	*HK$'000*
Hong Kong dollars	**10,166**	7,281

17. CONTRACT LIABILITIES

	2019	2018
	HK$'000	*HK$'000*
Receipt in advance for sale of hair products	**3,391**	4,638

Contract liabilities represent amounts received in advance for sale of hair products. Contract liabilities as at the end of each reporting period are recognised as revenue in subsequent year.

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of production, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives 30% to 50% deposit on acceptance of new customers' order.

18. SECURED BANK BORROWINGS

During the Year, the Group obtained new mortgage and short-term loans amounting to HK$294.9 million (2018: HK$271.3 million) and repaid mortgage and short-term loans of HK$300.4 million (2018: HK$237.1 million). Proceeds from new borrowings were used to finance the general operating activities and construction of production facilities of the Group. As at 31 December 2019, the bank borrowings carried floating rate interest ranging from 3.60% to 6.21% (2018: 2.50% to 5.39%) per annum.

19. SHARE CAPITAL OF THE COMPANY

	Notes	Number of shares	Share capital US$'000
Ordinary shares of US$0.01 each			
Authorised:			
At 1 January 2018, 31 December 2018 and 31 December 2019		1,000,000,000	10,000
Issued and fully paid:			
At 1 January 2018, 31 December 2018		615,000,000	6,150
Issue of new ordinary shares by way of placing	*(a)*	33,180,000	332
Issue of new ordinary shares under specific mandate	*(b)*	12,902,000	129
At 31 December 2019		661,082,000	6,611

Shown in the consolidated financial statements as:

	Amount HK$'000
At 31 December 2018	47,847
At 31 December 2019	51,432

Notes:

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

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

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

20. EVENT AFTER THE REPORTING PERIOD

The outbreak of the novel coronavirus pneumonia ("**COVID-19**") and the subsequent quarantine measures imposed by the PRC government as well as the travel restrictions imposed by other countries in early 2020 had certain impact on the operations of the Group, as some of the Group's operations are located in the PRC. The Group had to stop its manufacturing activities in the PRC since January 2020 due to mandatory government quarantine measures in an effort to contain the spread of the epidemic and operation was resumed in mid-February.

In the opinion of the Directors, there is no material impact on the operations of the Group up to the date of these financial statements are authorised for issue, as the Group's principal manufacturing plants are now located in Bangladesh and the Group's major customers and suppliers are all located outside the PRC. However, given the unpredictability associated with the COVID-19 global outbreak and any further contingency measures that may be put in place by the relevant governments and corporate entities as at the date these financial statements are authorised for issue, the Directors expect that the COVID-19 outbreak may affect the consolidated results of the Group for the remaining quarters of 2020 but the financial effects on the Group's consolidated financial statements cannot be reasonably estimated.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the Year, revenue of the Group increased while gross profit and net profit of the Group decreased mildly due to the sudden and significant increment of minimum wages of workers in Bangladesh since December 2018. To cope with the sudden increase in wage cost, the Group has been adjusting various product pricing policies for the Year. The Group has further streamlined production costs by implementing some effective staffing policies in Bangladesh during the second half of the Year. These policies are proven to be effective in order to minimize the impact on the minimum wage rate increment.

During the Year, the Hong Kong economy has severely suffered from the Sino-US trade war and the Hong Kong social movement. The Group is immunized from the negative impact arising from these threats as it has successfully got its production facilities in Bangladesh up and running.

FINANCIAL REVIEW

During the Year, revenue of the Group increased slightly while gross profit and net profit of the Group deteriorated due to the significant increment of minimum wages of workers in Bangladesh since December 2018.

Revenue

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

During the Year, the Group's revenue amounted to HK$777.4 million, representing an increase of HK$45.2 million or 6.2% as compared with HK$732.2 million for the year ended 31 December 2018. The increase was primarily due to the result of its long-standing stable business relationships with the Group's existing clients and the strong overall market demand for its wigs and hair products. During the Year, market demand for the Group's wig products continued to grow and such demand was satisfied by the rapid increase in production capacity at the production facilities in Bangladesh (the "**Bangladesh Factory**"). The Bangladesh Factory, which has consistent enhancements in its production capabilities and continued to steadily develop during the Year, remained as the main revenue source of the Group, facilitating its profitability growth. During the Year, the revenue generated from hair goods made at the Bangladesh Factory accounted for 94.5% of the Group's total revenue as compared to 92.3% for the year ended 31 December 2018.

The United States remained as the Group's principal market during the Year with revenue contribution accounting for 78.5% of the Group's total revenue during the Year as compared to 81.2% for the year ended 31 December 2018. In terms of product segments, wigs, hair accessories and others remained as the Group's key product segment, accounting for 71.4% of its total revenue during the Year as compared to 71.9% for the year ended 31 December 2018.

Wigs, hair accessories and others. Revenue from wigs, hair accessories and others increased by HK$28.2 million, or 5.4%, from HK$526.6 million for the year ended 31 December 2018 to HK$554.8 million for the Year, primary due to more sales of high-margin products such as lace wigs and less sales of low-margin products such as special braids during the Year.

High-end human hair extensions. Revenue from high-end human hair extensions increased by HK$18.9 million, or 11.4%, from HK$165.6 million for the year ended 31 December 2018 to HK$184.5 million for the Year, primarily due to higher sales volume driven by the increased production of the Bangladesh Factory.

Halloween products. Revenue from Halloween products slightly decreased by HK$1.9 million, or 4.8%, from HK$40.0 million for the year ended 31 December 2018 to HK$38.1 million for the Year. Sales of Halloween products during the Year remained steady.

Cost of Goods Sold

The Group's cost of goods sold increased by HK$44.0 million, or 9.2%, from HK$476.4 million for the year ended 31 December 2018 to HK$520.4 million for the Year, which is in line with an increase in revenue and minimum wages of workers in Bangladesh during the Year.

Wigs, hair accessories and others. Cost of goods sold for wigs, hair accessories and others increased by HK$24.4 million, or 6.7%, from HK$362.9 million for the year ended 31 December 2018 to HK$387.3 million for the Year, corresponding with an increase in sales of these products during the Year.

High-end human hair extensions. Cost of goods sold for high-end human hair extensions increased by HK$23.8 million, or 28.1%, from HK$84.8 million for the year ended 31 December 2018 to HK$108.6 million for the Year, which is in line with an increase in sales of these products during the Year.

Halloween products. Cost of goods sold for Halloween products decreased slightly by HK$4.2 million, or 14.6%, from HK$28.7 million for the year ended 31 December 2018 to HK$24.5 million for the Year, corresponding with a decrease in sales of these products during the Year.

Gross Profit

The Group continued to enjoy low labour costs from production at the Bangladesh Factory during the Year. During the Year, the Group's gross profit amounted to HK$257.0 million, representing an increase of HK$1.2 million, or 0.5%, as compared with HK$255.8 million for the year ended 31 December 2018, primarily due to an increase in sales of high-margin products in the segment of wigs, hair accessories and others, which netted off against the significant increment of minimum wages of workers in Bangladesh since December 2018. During the Year, the Group's gross profit margin amounted to 33.1%, representing a decrease of 1.8 percentage points from 34.9% for the year ended 31 December 2018.

Wigs, hair accessories and others. Gross profit for wigs, hair accessories and others increased by HK$3.8 million, or 2.3%, from HK$163.7 million for the year ended 31 December 2018 to HK$167.5 million for the Year. Gross profit margin for this segment decreased from 31.1% for the year ended 31 December 2018 to 30.2% for the Year, primarily due to the increment of minimum wages of workers in Bangladesh.

High-end human hair extensions. Gross profit for high-end human hair extensions slightly decreased by HK$4.9 million, or 6.1%, from HK$80.8 million for the year ended 31 December 2018 to HK$75.9 million for the Year. Gross profit margin for this segment declined from 48.8% for the year ended 31 December 2018 to 41.1% for the Year, primarily due to the increment of minimum wages of workers in Bangladesh.

Halloween products. Gross profit for Halloween products increased by HK$2.3 million, or 20.4%, from HK$11.3 million for the year ended 31 December 2018 to HK$13.6 million for the Year. Gross profit margin for Halloween products increased from 28.1% for the year ended 31 December 2018 to 35.7% for the Year, primarily due to effective cost saving in the production of Halloween products.

Other Income

Other income maintained at HK$2.9 million for the year ended 31 December 2018 and for the Year, mainly consistent with rental income from warehouses and compensation from insurance claims in relation to cargo shipment.

Other Gains and Losses

Other gains and losses decreased by HK$4.7 million, or 57.3%, from a gain of HK$8.2 million for the year ended 31 December 2018 to a gain of HK$3.5 million for the Year, primarily due to the net effect of (i) increase in interest income earned from life insurance contracts to HK$3.7 million (2018: HK$1.1 million); and (ii) absence of a one-off and non-operating item during the Year as compared with the year ended 31 December 2018, during which a gain on disposal of two pieces of leasehold land and buildings totalling HK$6.6 million was recognised.

Distribution and Selling Expenses

Distribution and selling expenses decreased by HK$1.0 million, or 6.3%, from HK$16.0 million for the year ended 31 December 2018 to HK$15.0 million for the Year, primarily due to effective cost saving in advertising and a decrease in shipping expenses during the Year.

Administrative Expenses

Administrative expenses rose by HK$17.2 million, or 14.0%, from HK$123.0 million for the year ended 31 December 2018 to HK$140.2 million for the Year, primarily due to an increase in staff salary and corresponding pension payments during the Year.

Other Expenses

Other expenses decreased by HK$0.6 million, or 46.2%, from HK$1.3 million for the year ended 31 December 2018 to HK$0.7 million for the Year, primarily due to a decrease in the amount of donations made by the Group.

Finance Costs

Finance costs increased by HK$5.2 million, or 33.5%, from HK$15.5 million for the year ended 31 December 2018 to HK$20.7 million for the Year. During the Year, the Group capitalised interest on bank borrowings of HK$15.9 million as the cost of qualifying assets (2018: HK$9.7 million). Without such capitalisation, the increase in finance costs, as compared to the year ended 31 December 2018, was HK$11.4 million or 45.2% for the Year, primarily due to an increase in bank borrowings.

Taxation

Income tax expense of the Group increased by HK$0.2 million, or 50.0%, from HK$0.4 million for the year ended 31 December 2018 to HK$0.6 million for the Year, primarily due to an increase in income tax expenses in China. Income tax expense was netted off against the reversal of deferred taxation in the amount of HK$0.2 million for the Year (2018: HK$0.3 million).

Net Profit

The Group's net profit for the Year amounted to HK$86.2 million, representing a decrease of HK$24.4 million, or 22.1%, as compared with HK$110.6 million for the year ended 31 December 2018, primarily attributable to the net effect of: (i) significant increment of minimum wages of workers in Bangladesh since December 2018; (ii) absence of a one-off and non-operating item during the Year as compared with the year ended 31 December 2018, during which a gain on disposal of two pieces of leasehold land and buildings totalling HK$6.6 million was recognised; and (iii) an increase in net profit arising from the manufacturing and sale of high-margin hair products.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's bank balances, pledged bank deposits and cash decreased by 15.9% from HK$153.7 million as at 31 December 2018 to HK$129.2 million as at 31 December 2019. The decrease in cash and bank balances as at 31 December 2019 was primarily due to the use up of the proceeds from the placements of the ordinary shares with a nominal value of US$0.01 each of the Company ("**Shares**") during the Year and the netting-off effect from an increase in borrowings for the construction payments and operating expenses such as salary and utilities payment with regard to the Bangladesh Factory.

Share Placements

On 20 September 2019, the Company entered into a placing agreement with Evergreen Enterprise Holdings Limited ("**EEHL**"), a controlling shareholder of the Company, and the placing agents and entered into a subscription agreement with EEHL, pursuant to which (i) EEHL agreed to appoint the placing agents and each of the placing agents severally (and not jointly nor joint and several basis) agreed to act as the agents to procure not less than six placees to purchase an aggregate of up to 40,000,000 Shares, on a best effort basis, at the placing price of HK$1.55 per Share (the "**Placing**"); and (ii) EEHL agreed to subscribe for up to 40,000,000 Shares at the subscription price of HK$1.55 per Share (the "**Subscription**"). The Placing and the Subscription were completed on 26 September 2019 and 3 October 2019, respectively. The placing price of HK$1.55 per 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 20 September 2019, being the date of the placing agreement and the subscription agreement; and (ii) a discount of approximately 13.41% to the average of the closing price of HK$1.79 per Share as quoted on the Stock Exchange for the last five consecutive trading days prior to 20 September 2019. A total of 33,180,000 Shares with aggregate nominal value of US$331,800 were successfully placed to not less than six independent placees under the Placing and an equal number of Shares were successfully issued under the Subscription. The gross proceeds and net proceeds were approximately HK$51.4 million and HK$50.5 million, respectively. The net price per placing Share was approximately HK$1.52. The net proceeds of the Subscriptions have been used in settling outstanding liabilities of the Group. Details of the Placing and the Subscription were disclosed in the announcements of the Company dated 20 September 2019, 26 September 2019 and 3 October 2019, respectively.

In addition, on 20 September 2019, the Company and EEHL entered into a subscription agreement, pursuant to which the Company conditionally agreed to allot and issue, and EEHL conditionally agreed to subscribe for 12,902,000 Shares at the subscription price of HK$1.55 per Share (the "**Connected Transaction Subscription**"). The Connected Transaction Subscription was completed on 15 November 2019. EEHL undertakes that the subscription Shares are subject to a lock-up period of 12 months from the completion date during which EEHL shall not offer, lend, contract to sell, pledge, grant any option to purchase or otherwise dispose of, any of the subscription Shares. The gross proceeds and net proceeds were both approximately HK$20.0 million. The net price per Share subscribed was HK$1.53 and the aggregate nominal value of the Shares subscribed was US$129,020. The net proceeds of the Connected Transaction Subscription have been used in settling outstanding liabilities of the Group. Details of the Connected Transaction Subscription were disclosed in the announcements of the Company dated 20 September 2019 and 15 November 2019, respectively, and the circular of the Company dated 29 October 2019.

The Company has been exploring various options to raise capital. Taking into account the benefits and cost of each of the options, the Board considered that the placing and subscription were in the interests of the Company and the Shareholders as a whole as they would not impose any interest burden on the Group. In the circumstances, the Company considered that the placing and subscription were 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. Accordingly, the Company was of the view that the placing and subscription were in the best interest of the Company and its Shareholders as a whole.

Borrowings And Gearing Ratio

As at 31 December 2019, the Group's banking facilities amounted to HK$729.7 million, of which HK$10.9 million remained unutilised. As at 31 December 2019, the gearing ratio of the Group, 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 83.0% as compared to 91.0% as at 31 December 2018. Moreover, the net gearing ratio of the Group, which is equivalent to total interest-bearing debt (including secured bank borrowings, obligations under finance leases and any preferred Shares) net of total cash and bank balances divided by total equity, was 68.1% as compared to 69.4% as at 31 December 2018. Both the gearing ratio and net gearing ratio were enhanced by the placements of new Shares during the Year.

Capital Expenditure And Capital Commitments

During the Year, the Group spent approximately HK$198.0 million (including interest on bank borrowings of HK$15.9 million capitalised as the cost of qualifying assets) on additions to fixed assets as compared to HK$202.7 million (including interest on bank borrowings of HK$9.7 million capitalised as the cost of qualifying assets) for the year ended 31 December 2018 mainly to further upgrade and expand its manufacturing capabilities in Bangladesh. As at 31 December 2019, the Group had capital commitments of HK$0.1 million in respect of property, plant and equipment (31 December 2018: HK$1.4 million).

Currency Risks

A significant portion of the Group's revenue is derived from sales to overseas customers denominated in foreign currencies. For the Year, 78.5% (2018: 93.0%) of the Group's revenue was denominated in U.S. dollar ("**US$**"). The Group mainly operates in Bangladesh and the People's Republic of China ("**PRC**") and most of the Group's operating expenses are denominated in Bangladeshi Taka ("**Taka**") and Renminbi ("**RMB**").

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

Contingent Liabilities

As at 31 December 2019, the Group did not have any material contingent liabilities.

Pledge of Assets

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

(a) a pledge of the Group's bank deposits of approximately HK$93.1 million;

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

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

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

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, the Group employed a total of (i) 21,634 employees in Bangladesh, as compared to 18,015 as at 31 December 2018, (ii) 402 employees in China, as compared to 612 as at 31 December 2018, (iii) 62 employees in Hong Kong, as compared to 69 as at 31 December 2018, and (iv) 31 employees in Japan, the United States, Thailand and Ukraine, as compared to 25 as at 31 December 2018.

Total employee expenditures during the Year amounted to HK$317.6 million as compared to HK$275.7 million for the year ended 31 December 2018. The Group operates a defined contribution retirement scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all qualified employees. Employees of the Group's factories in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. For employees in Bangladesh, the Group is currently not subject to any compulsory social insurance contribution, but they are covered by a self-managed provident fund operated by the respective subsidiaries of the Group in Bangladesh.

Share Option Scheme

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

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

Share Award Scheme

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

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

Since the adoption date of the Share Award Scheme and up to 31 December 2019, a total of 5,333,334 Shares, representing approximately 0.81% of the total issued Shares as at 31 December 2019, were granted by the Company to certain Directors, senior management and employees of the Company and 1,735,000 awarded Shares were vested in the name of selected employees under the Share Award Scheme.

As at 31 December 2019, the trustee of the Share Award Scheme held a total of 2,266,000 Shares, of which 2,194,668 Shares remained unvested and 71,332 Shares remained ungranted. The ungranted Shares remain as trust fund and will be used for grant of share awards in future.

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

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

IMPORTANT EVENTS AFTER THE END OF THE YEAR

Details of important events after the end of the Year are set out in note 20 to the consolidated financial statements in this announcement.

OUTLOOK

The construction of new facilities in Bangladesh was mostly completed in 2019. The Group will concentrate on product development and enhancement of production efficiency especially for human hair products with high unit price and profit margin. The Group will keep reallocating workers inside and outside of our Bangladesh export processing zone in order to streamline salary costs. With the further minimizing production scale at the factories in China, the Group expects the overall production costs will decrease.

In the coming year, the Group will establish new wholesale offices in Asian countries for selling high-end human hair extensions under self-owned brands. Furthermore, the Group will put more effort on expanding our e-commerce platforms. On average, the retail price level of our products is around 300% higher than our factory price level. Having effective execution of these direct sales strategies, the gross profit margin and net profit of the Group are expected to elevate to the next higher level.

The recent outbreak of the COVID-19 disease and the subsequent quarantine measures imposed by the PRC government as well as the travel restrictions imposed by other countries in early 2020 has had no material impact on the operations of the Group up to the date of this announcement. However, given the unpredictability associated with the COVID-19 global outbreak and any further contingency measures that may be put in place by the relevant governments and corporate entities, the Group expects that the outbreak of the COVID-19 disease may affect the consolidated results of the Group for the remaining quarters of 2020.

ANNUAL GENERAL MEETING

An annual general meeting (the "**AGM**") of the Company is scheduled to be held on Friday, 15 May 2020, notice of which will be published and despatched to the shareholders as soon as practicable in accordance with the Company's articles of association and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK2.0 cents per Share for the Year (2018: HK2.5 cents per Share) to the shareholders whose names appear on the register of members of the Company on Friday, 10 July 2020. Upon approval by the shareholders at the AGM, it is expected that the final dividend will be payable on Friday, 17 July 2020.

CLOSURE OF REGISTER OF MEMBERS

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

(i) For determining shareholders' entitlement to attend and vote at AGM or any adjournment thereof, the register of members of the Company will be closed from Tuesday, 12 May 2020 to Friday, 15 May 2020, both dates inclusive, during which period no transfer of Shares will be registered.

    In order to be eligible to attend and vote at the AGM, all transfer of the Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 11 May 2020.

    The record date for such purposes is Friday, 15 May 2020.

(ii) For determining shareholders' entitlement to the proposed final dividend (subject to approval by the shareholders at the AGM), the register of members of the Company will be closed from Tuesday, 7 July 2020 to Friday, 10 July 2020, both dates inclusive, during which period no transfer of Shares will be registered.

    In order to qualify for the proposed final dividend, all transfer of Shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration not later than 4:30 p.m. on Monday, 6 July 2020.

    The record date for such purposes is Friday, 10 July 2020.

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

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

CORPORATE GOVERNANCE

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

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

Save as disclosed above, in the opinion of the Board, the Company has complied with the code provisions in the CG Code throughout the Year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

REVIEW OF CONSOLIDATED ANNUAL RESULTS BY THE AUDIT COMMITTEE

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

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's external auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with the Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

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

Hong Kong, 26 March 2020

As at the date of this announcement, the executive Directors are Mr. Chang Yoe Chong Felix, Mr. Kwok Yau Lung Anthony, Mr. Chan Kwok Keung, Mr. Hui Wing Ki, Ms. Jia Ziying 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.