

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

INTERIM REPORT **2021**

An abstract graphic consisting of multiple overlapping, flowing green lines that create a sense of movement and depth, resembling a stylized wave or a spiral. The lines vary in opacity and shade, from light green to a vibrant green, and are set against a white background.

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Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chang Yoe Chong Felix
(Chairman and Chief Executive Officer)

Mr. Kwok Yau Lung Anthony
(Chief Operating Officer)

Mr. Chan Kwok Keung

Mr. Hui Wing Ki

Ms. Jia Ziyang

Mr. Li Yanbo

NON-EXECUTIVE DIRECTORS

Mr. Chan Lau Yui Kevin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lau Ip Keung Kenneth

Mr. Sin Hendrick

Mr. Szeto Yuk Ting

Ir. Cheung Siu Wa

COMPANY SECRETARY

Mr. Siu Ching Hung *(ACG, ACS)*
(appointed with effect from 20 May 2021)

Ms. Leung Pui Yee *(HKICPA, FCCA)*
(resigned with effect from 20 May 2021)

AUTHORIZED REPRESENTATIVES

Mr. Kwok Yau Lung Anthony

Ms. Leung Pui Yee *(HKICPA, FCCA)*
(resigned with effect from 20 May 2021)

Mr. Siu Ching Hung *(ACG, ACS)*
(appointed with effect from 20 May 2021)

AUDIT COMMITTEE

Mr. Sin Hendrick *(Chairman)*

Mr. Lau Ip Keung Kenneth

Mr. Szeto Yuk Ting

REMUNERATION COMMITTEE

Mr. Szeto Yuk Ting *(Chairman)*

Mr. Chang Yoe Chong Felix

Mr. Lau Ip Keung Kenneth

Mr. Sin Hendrick

NOMINATION COMMITTEE

Mr. Chang Yoe Chong Felix *(Chairman)*

Mr. Lau Ip Keung Kenneth

Mr. Sin Hendrick

Mr. Szeto Yuk Ting

AUDITOR

Deloitte Touche Tohmatsu
Certified Public Accountants

Public Interest Entity Auditor registered in
accordance with the Financial Reporting Council
Ordinance

Corporate Information

PRINCIPAL BANKS

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

HONG KONG LEGAL ADVISER

Norton Rose Fulbright Hong Kong

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PLACE OF LISTING

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

COMPANY WEBSITE

www.epfhk.com

Management Discussion and Analysis

The board (the “**Board**”) of directors (the “**Directors**”) of Evergreen Products Group Limited (the “**Company**”) is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”), together with the comparative figures for the corresponding period in 2020.

BUSINESS REVIEW

During the Period, the COVID-19 pandemic continued to wreak havoc worldwide and brought unprecedented challenges to all industries. The capacity restrictions and the social distancing measures during the COVID-19 pandemic altered the lifestyle of people such as women of African descent, the primary patrons of African hair braiding salons, turned to the internet to learn how to style and braid their own hair while in social isolation. Thus, a strong demand for braid products since the second half of 2020 continued throughout the rest of the Period.

As more and more people get vaccinated, the COVID-19 pandemic is expected to gradually come under control which will boost confidence in the economic recovery, so that they can return to hair salons for hair maintenance and styling, and to retail shops buying hair products which drive the demand for and hence the sales of human hair extension products and lace products with high margin and the sales of these products having gradually recovered during the Period. The revenue of the Group amounted to HK\$548.9 million for the Period, representing an increase of approximately 49.1% against the corresponding period ended 30 June 2020. Gross profit margin slightly reduced to 21.4%, mainly due to the change in the product mix since the second half of 2020 which continued throughout the Period. The sales of braid products with low margin kept strong demand and the sales of human hair products with high margin gradually recovered. Net profit margin rose to 5.6% when compared to 1.8% for the corresponding period ended 30 June 2020, mainly due to the increase in revenue.

OUTLOOK

The COVID-19 pandemic has completely changed the lifestyle of people, and trends such as shopping online will not be reversible. The Group will continue to grow the E-commerce team, aiming to expand its customer base, achieve a more balanced and healthy market layout, and enhance its risk resistance. Besides, the Group has continuously made all efforts to reduce costs and overheads to make further improvement in the profitability soonest possible and preserve working capital for any future opportunities.

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

Management Discussion and Analysis

FINANCIAL REVIEW

During the Period, the Group's financial results grew significantly compared with the same period in 2020, primarily due to the sales growth substantially boosted by the strong market demand rebound after the COVID-19 pandemic stabilised and vaccination program was launched effectively.

REVENUE

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

During the Period, the Group's revenue amounted to HK\$548.9 million, representing a significant increase of HK\$180.7 million, or 49.1%, as compared to HK\$368.2 million for the corresponding period in 2020. The increase was primarily due to the strong market demand rebound on its wig and hair products. During the Period, the market demand for the Group's wig products continued to grow, and the Bangladesh factory has consistent enhancement in its production capabilities to satisfy strong demand. During the Period, the revenue generated from hair goods made at the Bangladesh factory accounted for 97.7% of the Group's total revenue as compared to 96.1% for the corresponding period in 2020.

The United States remained as the Group's principal market during the Period with revenue contribution accounting for 89.7% of the Group's total revenue during the Period as compared to 85.8% for the corresponding period in 2020. In terms of product segment, wigs, hair accessories and others remained as the Group's key product segment accounting for 83.7% of its total revenue during the Period as compared to 80.1% for the corresponding period in 2020.

Wigs, hair accessories and others. Revenue for wigs, hair accessories and others increased by HK\$164.0 million, or 55.6%, from HK\$295.2 million for the six months ended 30 June 2020 to HK\$459.1 million for the Period. The increase was primarily due to a significant increase in sales of braid items, which were one of the popular products.

Management Discussion and Analysis

High-end human hair extensions. Revenue for high-end human hair extensions increased by HK\$16.8 million, or 32.7%, from HK\$51.3 million for the six months ended 30 June 2020 to HK\$68.0 million for the Period, primarily due to an increase in sales volume of human hair products after the market demand gradually restored and the COVID-19 social distancing restrictions may be relaxed.

Halloween products. Revenue for Halloween products slightly decreased by HK\$0.1 million, or 0.6%, from HK\$21.8 million for the six months ended 30 June 2020 to HK\$21.6 million for the Period, primarily due to a slight decrease in sales volume due to the tightened COVID-19 social distancing restrictions during Halloween festival.

COST OF GOODS SOLD

The Group's cost of goods sold increased by HK\$150.8 million, or 53.7%, from HK\$280.7 million for the six months ended 30 June 2020 to HK\$431.5 million for the Period, primarily due to an increase in costs in connection with an increase in sales of low-margin braid products during the Period.

Wigs, hair accessories and others. Cost of goods sold for wigs, hair accessories and others increased by HK\$137.5 million, or 58.8%, from HK\$233.9 million for the six months ended 30 June 2020 to HK\$371.3 million for the Period, corresponding with an increase in sales of low-margin braid products during the Period.

High-end human hair extensions. Cost of goods sold for high-end human hair extensions increased by HK\$13.0 million, or 40.3%, from HK\$32.3 million for the six months ended 30 June 2020 to HK\$45.4 million for the Period. The increase was in line with the increase in revenue from this segment.

Halloween products. Cost of goods sold for Halloween products slightly increased by HK\$0.3 million, or 2%, from HK\$14.5 million for the six months ended 30 June 2020 to HK\$14.8 million for the Period. The increase was the increase in production costs of Halloween products during the Period.

GROSS PROFIT

During the Period, the Group's gross profit amounted to HK\$117.4 million, representing an increase of HK\$29.9 million, or 34.1%, as compared to HK\$87.5 million for the corresponding period in 2020, primarily due to a significant increase in sales of braid products which generated a relatively low gross profit. During the Period, the Group's gross profit margin was 21.4%, representing a decrease of 2.4% from 23.8% for the corresponding period in 2020.

Wigs, hair accessories and others. Gross profit for wigs, hair accessories and others increased by HK\$26.5 million, or 43.2%, from HK\$61.2 million for the six months ended 30 June 2020 to HK\$87.8 million for the Period. Gross profit margin for wigs, hair accessories and others decreased from 20.7% for the six months ended 30 June 2020 to 19.1% for the Period, primarily due to a significant increase in sales of braid products which have a relatively low margin.

High-end human hair extensions. Gross profit for high-end human hair extensions increased by HK\$3.8 million, or 19.8%, from HK\$19.0 million for the six months ended 30 June 2020 to HK\$22.7 million for the Period. Gross profit margin for high-end human hair extensions decreased from 36.9% for the six months ended 30 June 2020 to 33.4% for the Period, as a result of a greater increase in the total production overheads than the increase in sales for the Period.

Management Discussion and Analysis

Halloween products. Gross profit for Halloween products decreased by HK\$0.4 million, or 5.8%, from HK\$7.3 million for the six months ended 30 June 2020 to HK\$6.9 million for the Period, which was in line with the decrease in revenue from the segment during the Period. Gross profit margin for Halloween products decreased from 33.5% for the six months ended 30 June 2020 to 31.7% for the Period, primarily due to an increase in total production costs of Halloween products during the Period.

OTHER INCOME

Other income increased by HK\$0.1 million, or 8.3%, from HK\$2.2 million for the six months ended 30 June 2020 to HK\$2.3 million for the Period, primarily due to an increase in income from warehouse rentals during the Period.

OTHER GAINS AND LOSSES

Other gains and losses decreased by HK\$4.2 million, or 54.8%, from losses of HK\$7.6 million for the six months ended 30 June 2020 to losses of HK\$3.4 million for the Period. The other gains and losses primarily comprised a loss amounting to HK\$1.8 million from the fair value change of the financial assets at fair value through profit and loss and HK\$1.8 million from the loss on the exchange conversion due to the repayment of a bank loan in Hong Kong dollars during the Period.

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

During the Period, the Group reversed impairment allowance of HK\$0.9 million in respect of trade receivables (2020: The Group provided HK\$1.7 million).

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses increased by HK\$1.9 million, or 35.8%, from HK\$5.2 million for the six months ended 30 June 2020 to HK\$7.0 million for the Period, primarily due to an increase in shipping expenses in respect of the sales conducted during the Period.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by HK\$8.2 million, or 14.2%, from HK\$57.9 million for the six months ended 30 June 2020 to HK\$66.1 million for the Period, primarily due to an increase in salary remuneration and rent, rate and government rate during the Period.

Management Discussion and Analysis

OTHER EXPENSES

Other expenses increased by HK\$0.2 million, or 70.9%, from HK\$0.2 million for the six months ended 30 June 2020 to HK\$0.4 million for the Period, primarily due to an increase in donation made during the Period.

FINANCE COSTS

Finance costs increased by HK\$1.2 million, or 12.0%, from HK\$10.1 million for the six months ended 30 June 2020 to HK\$11.3 million for the Period. During the Period, the Group capitalised interest on bank borrowings of HK\$3.6 million as cost of qualifying assets (30 June 2020: HK\$6.5 million). Without such capitalisation, finance costs for the Period were decreased by HK\$1.6 million, or 9.8%, as compared with the corresponding period in 2020, primarily due to a decrease in capitalised interest on bank borrowings.

TAXATION

Income tax expense of the Group increased by HK\$1.1 million, or 204.3%, from a taxation of HK\$0.6 million for the six months ended 30 June 2020 to a taxation of HK\$1.7 million for the Period, primarily due to the income tax provided for the operation in the PRC and Bangladesh. Income tax expense included a reversal of deferred taxation in the amount of HK\$0.1 million for the Period (2020: included deferred taxation in the amount of HK\$0.1 million).

NET PROFIT

The Group's net profit for the Period was HK\$30.8 million, representing an increase of HK\$24.3 million, or 369.8%, as compared to HK\$6.5 million for the corresponding period in 2020, primarily due to the global COVID-19 pandemic having been brought under control, the demand for and hence the sales of human hair extension products and lace products with high margin having gradually recovered and there having been a strong demand for braid products since the second half of 2020 which continued throughout the rest of the Period when compared to the corresponding period in 2020 as a result of the favourable market conditions during the Period.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's bank balances, pledged bank deposits and cash increased by 2.4% from HK\$192.2 million as at 31 December 2020 to HK\$196.9 million as at 30 June 2021. The increase in cash and bank balances for the Period was primarily due to the measures from banks for postponement on the repayment of bank loans and trade facilities during the Period.

The Group's trade and other receivables decreased by 6.4% from HK\$300.3 million as at 31 December 2020 to HK\$281.2 million as at 30 June 2021. The decrease was primarily due to a decrease in trade receivables due to an early settlement by certain customers.

BORROWINGS AND GEARING RATIO

As at 30 June 2021, the Group's banking facilities amounted to HK\$800.6 million, of which HK\$163.7 million remained unutilised. As at 30 June 2021, the gearing ratio of the Group, which is equivalent to total interest-bearing debt (including secured bank borrowings and obligations under finance leases) divided by total equity, was 76.2% as compared to 88.7% as at 31 December 2020. The Group considered that it has sufficient financial resources to meet its commitments and working capital requirements.

Management Discussion and Analysis

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

During the Period, the Group spent approximately HK\$13.3 million (including interest on bank borrowings of HK\$3.6 million capitalised as the cost of qualifying assets) on additions to fixed assets as compared to HK\$19.4 million (including interest on bank borrowings of HK\$6.5 million capitalised as the cost of qualifying assets) for the corresponding period in 2020 mainly to tighten capital spending given the unpredictability associated with the global economic recovery from the COVID-19 pandemic. As at 30 June 2021, the Group had capital commitments of HK\$1.0 million in respect of property, plant and equipment (31 December 2020: HK\$1 million).

FOREIGN EXCHANGE RISK

The Group has payables and receivables denominated in foreign currencies, such as Hong Kong dollars and Renminbi, which expose the Group to foreign currency risk. The Group mainly operates in the PRC and Bangladesh where its operating expenses are denominated in Renminbi and Bangladeshi Taka, respectively, while the majority of the Group's sales are settled in U.S. dollars. With increased production of the Group in Bangladesh (revenue contributed by the Bangladesh factory having increased to 97.7% during the Period (30 June 2020: 96.1%)) and U.S. dollars being the main foreign currency used in the operations in Bangladesh and Hong Kong, the use of U.S. dollars by the Group has increased as a whole. However, the Board considers that the Group is exposed to minimal currency risk as Hong Kong dollars are pegged to U.S. dollars. The Group estimated that any 1% appreciation of Bangladeshi Taka or Renminbi is not expected to have a material impact on the Group's gross profit margin.

For the Period, the Group had certain outstanding foreign currency forward contracts to buy U.S. dollars to hedge against any fluctuation in the exchange rate of U.S. dollars.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 30 June 2021, the Group's banking facilities were secured by:

- (a) pledge of the Group's bank deposits of approximately HK\$121.8 million (2020: HK\$122.0 million);
- (b) the Group's land, buildings and carparks in Hong Kong of approximately HK\$85.9 million (2020: HK\$85.9 million);
- (c) negative pledge on the assets of certain subsidiaries in the PRC and Bangladesh; and
- (d) certain financial assets at fair value through profit and loss of the Group.

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, the Group employed a total of 29,690 employees, as compared to 19,829 employees as at 30 June 2020.

Total employee expenditures during the Period amounted to HK\$190.9 million (including value of employee services of approximately HK\$0.1 million in respect of the share awards granted under the share award scheme adopted by the Company on 11 December 2017 (the “**Share Award Scheme**”)) as compared to HK\$132.1 million (including value of employee services of HK\$0.6 million in respect of the share awards granted under the Share Award Scheme) for the corresponding period in 2020. The Group operates a defined contribution retirement scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all qualified employees. Employees of the Group’s factories in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. For employees in Bangladesh, the Group is currently not subject to any compulsory social insurance contribution, but they are covered by a self-managed provident fund operated by respective subsidiaries of the Group in Bangladesh.

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

Save as disclosed in this report, (i) there were no significant investments held, nor were there any material acquisitions or disposals during the Period; and (ii) no plans have been authorised by the Board for any material investments or additions of capital assets as at 30 June 2021.

IMPORTANT EVENTS AFTER THE END OF THE PERIOD

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

- (a) On 5 July 2021, the Group entered into a supplemental agreement with a related company which stated that any advances from that related company after 5 July 2021 will change from interest-free to bearing a fixed interest of 4.5% per annum.
- (b) On 5 July 2021, the Group granted 105,333 ordinary shares of the Company (the “**Shares**”) to certain employees of the Group (none of them are Directors) under Share Award Scheme. These Shares will be vested on 6 October 2021.

Management Discussion and Analysis

USE OF PROCEEDS

USE OF PROCEEDS FROM INITIAL PUBLIC OFFERING

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

As at 30 June 2021, the Group had partially utilised such proceeds in the manner consistent with that mentioned in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company dated 29 June 2017:

Use of proceeds	Net proceeds <i>HK\$ million</i>	Utilised as at the date of this report <i>HK\$ million</i>	Utilised as at the date of this report %
Construction of additional production facilities in the Group’s Bangladesh production base	100.7	100.7	100.0%
Relocation of the Group’s research and display centre and sales office in Dongguan, Guangdong	20.5	–	–
Expansion of the Group’s business, including establishing sales offices for high-end human hair extensions in Asia, further development of the Group’s e-commerce business, and expansion of the Group’s Halloween costume sales	22.1	22.1	100.0%
Repayment of outstanding trust receipt loans	40.9	40.9	100.0%
Working capital and general corporate purposes	20.5	20.5	100.0%
Total	204.7	184.2	90.0%

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

Management Discussion and Analysis

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK\$1.3 cent per Share for the Period (30 June 2020: No Interim dividend declared), totally approximately HK\$8.9 million based on a total of 686,082,000 Shares in issue as at the date of this report.

The interim dividend payout ratio is 29.0% for the Period (2020: Interim dividend payout ratio: Nil).

The interim dividend will be payable on Tuesday, 21 September 2021 to the shareholders of the Company whose names appear on the register of members of the Company on Monday, 13 September 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 9 September 2021 to Monday, 13 September 2021, both dates inclusive, during which period no transfer of Shares will be registered. In order to qualify for the interim 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 Wednesday, 8 September 2021.

Corporate Governance and Other Information

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

The Company has adopted the principles as set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”). The Board is of the view that, the Company has complied with all the code provisions as set out in the CG Code throughout the Period, save and except for code provision A.2.1, which states that the roles of chairman and chief executive should be separate and should not be performed by the same individual, details of which are set out below:

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

COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

Corporate Governance and Other Information

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

As at 30 June 2021, the interests or short positions of the Directors and chief executives' of the Company in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

(i) LONG POSITION IN THE SHARES OF THE COMPANY

Name of Director/chief executive	Capacity/nature of interest	Number of Shares	Approximate percentage of issued share capital of the Company ⁽⁹⁾
Mr. Chang Yoe Chong Felix	(i) Beneficiary of a trust/ Founder of a discretionary trust	341,535,803 ⁽¹⁾	49.78%
	(ii) Beneficial owner	9,790,000 ⁽²⁾	1.43%
Mr. Chan Kwok Keung	Beneficial owner	1,000,000 ⁽³⁾	0.15%
Mr. Kwok Yau Lung Anthony	Beneficial owner	333,333 ⁽⁴⁾	0.05%
Mr. Hui Wing Ki	Beneficial owner	223,333 ⁽⁵⁾	0.03%
Ms. Jia Ziying	(i) Beneficial owner	394,000 ⁽⁶⁾	0.06%
	(ii) Interest of spouse	100,000 ⁽⁶⁾	0.01%
Mr. Li Yanbo	(i) Beneficial owner	100,000 ⁽⁷⁾	0.01%
	(ii) Interest of spouse	394,000 ⁽⁸⁾	0.06%

Corporate Governance and Other Information

Notes:

- (1) These Shares are held directly by Evergreen Enterprise Holdings Limited ("**Evergreen Holdings**"), a direct wholly owned subsidiary of Golden Evergreen Limited ("**Golden Evergreen**"). 49% and 51% of the issued share capital of Golden Evergreen are owned by FC Investment Worldwide Limited ("**FC Investment**") (a direct wholly owned subsidiary of FC Management Limited ("**FC Management**")) and CLC Investment Worldwide Limited ("**CLC Investment**") (a direct wholly owned subsidiary of CLC Management Limited ("**CLC Management**")), respectively. FC Management is directly and wholly owned by HSBC International Trustee Limited as the trustee of a discretionary trust established on 17 February 2010 by Mr. Chang Yoe Chong Felix as the settlor for the benefit of Mr. Chang Chih Lung, Mr. Chang Ka Wai Aidan and Mr. Chang Yoe Chong Felix's issue (the "**Felix Family Trust**"). CLC Management is directly and wholly owned by HSBC International Trustee Limited as the trustee of a discretionary trust established on 9 July 2013 by Mr. Chang Chih Lung as the settlor for the benefit of Mr. Chang Yoe Chong Felix and his issue (the "**CLC Family Trust**"). Accordingly, each of Mr. Chang Chih Lung and Mr. Chang Yoe Chong Felix is deemed to be interested in the Shares which are interested by HSBC International Trustee Limited under the SFO.
- (2) These Shares are beneficially owned by Mr. Chang Yoe Chong Felix.
- (3) These Shares were granted by the Company to Mr. Chan Kwok Keung on 16 January 2018 pursuant to the Share Award Scheme.
- (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 686,082,000 issued Shares as at 30 June 2021.

Corporate Governance and Other Information

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

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

Corporate Governance and Other Information

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

Corporate Governance and Other Information

Notes:

- (1) Evergreen Holdings, a direct wholly owned subsidiary of Golden Evergreen, holds approximately 49.78% of the issued share capital of the Company. 49% and 51% of the issued share capital of Golden Evergreen are owned by FC Investment (a direct wholly owned subsidiary of FC Management) and CLC Investment (a direct wholly owned subsidiary of CLC Management), respectively. Accordingly, each of Evergreen Holdings, Golden Evergreen, CLC Investment and CLC Management is a holding company and an associated corporation of the Company.
- (2) Approximately 73.04% of the issued share capital of Evergreen Group Limited is owned by Evergreen Holdings. Evergreen Group Limited holds the entire issued share capital of Ventures Day Investments Limited. Ventures Day Investments Limited holds the entire issued share capital of each of Acemaster Ventures Limited, Cowden Ventures Limited, Fast Track Ventures Limited, Golden Image Ventures Limited, Market Focus Ventures Limited, Punchline Ventures Limited and Smart Plus Ventures Limited. Accordingly, each of Evergreen Group Limited, Ventures Day Investments Limited, Acemaster Ventures Limited, Cowden Ventures Limited, Fast Track Ventures Limited, Golden Image Ventures Limited, Market Focus Ventures Limited, Punchline Ventures Limited and Smart Plus Ventures Limited is a subsidiary of Evergreen Holdings and an associated corporation of the Company.
- (3) Each of FC Management and CLC Management is directly and wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. The CLC Family Trust is a discretionary trust established by Mr. Chang Chih Lung (the father of Mr. Chang Yoe Chong Felix, and a controlling shareholder as well as a substantial shareholder of the Company as at 30 June 2021) as the settlor, with Mr. Chang Yoe Chong Felix and his issue being the beneficiaries. The Felix Family Trust is a discretionary trust established by Mr. Chang Yoe Chong Felix as the settlor, with Mr. Chang Chih Lung, Mr. Chang Ka Wai Aidan (the son of Mr. Chang Yoe Chong Felix and a minor) and Mr. Chang Yoe Chong Felix's issues being the beneficiaries. Accordingly, Mr. Chang Yoe Chong Felix is deemed to be interested in the above associated corporations of the Company under the SFO.
- (4) Each of Loyal Helper Supply Limited and Evergreen Housekeepers Training Center Limited is 100% owned by Sunleaf Holdings Limited, which is 70% owned by Eastern Earnings (China) Company Limited. Eastern Earnings (China) Company Limited is 51% owned by FC Investment, which is 100% held by FC Management. Accordingly, Mr. Chang Yoe Chong Felix is deemed to be interested in the above associated corporations of the Company under the SFO.
- (5) Such shares are held by Prince Orchid Limited, which is 100% owned by Mr. Chang Yoe Chong Felix.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2021, none of the Directors or the chief executives of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

So far as the Directors are aware, as at 30 June 2021, the following corporations/persons had interests of 5% or more in the issued Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under section 336 of the SFO:

Corporate Governance and Other Information

INTEREST IN THE SHARES OF THE COMPANY

Name of shareholder	Capacity/nature of interest	Number of Shares	Approximately percentage of issued share capital of the Company ⁽⁴⁾
Evergreen Holdings ⁽¹⁾	Beneficial owner	341,535,803 (Long position)	49.78%
Golden Evergreen ⁽¹⁾	Interest of controlled corporation	341,535,803 (Long position)	49.78%
FC Investment ⁽¹⁾	Interest of controlled corporation	341,535,803 (Long position)	49.78%
FC Management ⁽¹⁾	Interest of controlled corporation	341,535,803 (Long position)	49.78%
CLC Investment ⁽¹⁾	Interest of controlled corporation	341,535,803 (Long position)	49.78%
CLC Management ⁽¹⁾	Interest of controlled corporation	341,535,803 (Long position)	49.78%
HSBC International Trustee Limited ⁽¹⁾	Trustee of a trust	341,535,803 (Long position)	49.78%
Mr. Chang Chih Lung ⁽¹⁾	Beneficiary of a trust/ Founder of a discretionary trust	341,535,803 (Long position)	49.78%
Ms. Wong Hor Yan ⁽²⁾	Interest of spouse	351,325,803 (Long position)	51.21%
SEAVI Advent Investments Ltd. ("SEAVI Advent") ⁽³⁾	Beneficial owner	102,386,197 (Long position)	14.92%
SEAVI Advent Equity V (A) Ltd	Interest of controlled corporation	102,386,197 (Long position)	14.92%
UBS AG	Beneficial owner	35,054,000 (Long position)	5.11%
		35,052,000 (Short position)	5.11%
UBS Group AG	Interest of controlled corporation	35,054,000 (Long position)	5.11%
		35,052,000 (Short position)	5.11%

Corporate Governance and Other Information

Notes:

- (1) Evergreen Holdings is a direct wholly owned subsidiary of Golden Evergreen. 49% and 51% of issued share capital of Golden Evergreen are owned by FC Investment (a direct wholly owned subsidiary of FC Management) and CLC Investment (a direct wholly owned subsidiary of CLC Management), respectively. Each of FC Management and CLC Management is directly and wholly owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. Mr. Chang Chih Lung is the settlor of the CLC Family Trust and one of the beneficiaries of the Felix Family Trust. Accordingly, each of Golden Evergreen, FC Investment, FC Management, CLC Investment, CLC Management, HSBC International Trustee Limited and Mr. Chang Chih Lung is deemed to be interested in the Shares held by Evergreen Holdings under the SFO.
- (2) Ms. Wong Hor Yan is the spouse of Mr. Chang Yoe Chong Felix, and is deemed to be interested in the Shares which are interested by Mr. Chang Yoe Chong Felix under the SFO.
- (3) SEAVI Advent is wholly owned by SEAVI Advent Equity V (A) Ltd. SEAVI Advent Equity V (A) Ltd is therefore deemed to be interested in the Shares held by SEAVI Advent under the SFO.
- (4) Based on a total of 686,082,000 issued Shares as at 30 June 2021.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2021, the Directors have not been notified by any person who had interests or short position in Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

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

As at 30 June 2021, no option has been granted or agreed to be granted under the share option scheme.

SHARE AWARD SCHEME

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

The specific objectives of the Share Award Scheme are (i) to recognise the contributions by certain employees of the Group and to provide them with incentives in order to retain them for the continual operation and development of the Group; and (ii) to attract suitable personnel for further development of the Group.

The Share Award Scheme does not constitute a share option scheme or an arrangement analogous to a share option scheme for the purpose of Chapter 17 of the Listing Rules.

Corporate Governance and Other Information

The Share Award Scheme will remain in force for a period of 10 years commencing on its adoption date. The maximum number of Shares issuable pursuant to the Share Award Scheme is 6,150,000 Shares, being 1% of the total issued Shares on its adoption date. Details of the Share Award Scheme are set out in the announcement of the Company dated 11 December 2017.

The award shares were vested to the selected participants in three tranches with 1,333,000 Shares vested in July 2018, 1,735,000 Shares vested in July 2019 and 1,910,667 Shares vested in July 2020.

As at 30 June 2021, the trustee of the Share Award Scheme held a total of 355,333 Shares, of which 250,000 Shares remained unvested and 105,333 Shares remained ungranted or lapsed. The ungranted or lapsed Shares remain as trust fund and will be used for grant of share awards in future.

On 5 July 2021, a total of 105,333 Shares were granted by the Company to the employees of the Group (none of them are Directors). The vesting date of such Shares is 6 October 2021.

The award shares would be vested to selected participants in next tranche with 250,000 Shares to be vested in July 2021. On 13 July 2021, the trustee of the Share Award Scheme transferred a total of 250,000 Shares upon vesting of such Shares to a Director.

Details of the movement in the Shares under the Share Award Scheme during the Period are as follows:

Date of grant	Grantees	Number of Shares				Outstanding as at 30 June 2021	Vesting schedule
		Outstanding as at 31 December 2020	Granted during the Period	Vested during the Period	Lapsed during the Period		
16 January 2018	Mr. Chan Kwok Keung	250,000	-	-	-	250,000 ⁽¹⁾	To vest on 13 July 2021

Note:

(1) As at the date of this report, 250,000 Shares were vested after the Period.

Corporate Governance and Other Information

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

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

CHANGES IN INFORMATION OF DIRECTORS

There has been no change in information of the Directors since the publication of the annual report of the Company for the year ended 31 December 2020, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

REVIEW OF INTERIM RESULTS BY THE AUDIT COMMITTEE

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

By Order of the Board
Evergreen Products Group Limited
Chang Yoe Chong Felix

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 20 August 2021



Report on Review of Condensed Consolidated Financial Statements

Deloitte.

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TO THE BOARD OF DIRECTORS OF EVERGREEN PRODUCTS GROUP LIMITED

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Evergreen Products Group Limited (the “**Company**”) and its subsidiaries set out on pages 24 to 52, which comprise the condensed consolidated statement of financial position as of 30 June 2021 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 ‘Interim Financial Reporting’ (“**HKAS 34**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”). The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

20 August 2021

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	Notes	Six months ended	
		30.6.2021 HK\$'000 (Unaudited)	30.6.2020 HK\$'000 (Unaudited)
Revenue	3	548,887	368,203
Cost of goods sold		(431,481)	(280,655)
Gross profit		117,406	87,548
Other income		2,330	2,151
Other gains and losses	4	(3,419)	(7,564)
Impairment losses under expected credit loss model on trade receivables, net of reversal	5	940	(1,656)
Distribution and selling expenses		(7,091)	(5,221)
Administrative expenses		(66,071)	(57,868)
Other expenses	6	(388)	(227)
Finance costs	7	(11,267)	(10,063)
Profit before tax		32,440	7,100
Income tax expense	8	(1,689)	(555)
Profit for the period	9	30,751	6,545
Other comprehensive income (expense):			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		954	(4,507)
Other comprehensive income (expense) for the period, net of income tax		954	(4,507)
Total comprehensive income for the period		31,705	2,038

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2021

	<i>Notes</i>	Six months ended	
		30.6.2021	30.6.2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Profit (loss) for the period attributable to:			
Owners of the Company		29,626	7,902
Non-controlling interests		1,125	(1,357)
		30,751	6,545
Total comprehensive income (expense) attributable to:			
Owners of the Company		30,401	3,414
Non-controlling interests		1,304	(1,376)
		31,705	2,038
Earnings per share (HK\$)	<i>11</i>		
– basic		0.04	0.01
– diluted		0.04	0.01

Condensed Consolidated Statement of Financial Position

At 30 June 2021

		30.6.2021 <i>HK\$'000</i> (Unaudited)	31.12.2020 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	12	714,980	719,917
Right-of-use assets	12	30,442	26,987
Non-current deposits	14	11,352	13,293
Financial assets at fair value through profit or loss		19,789	16,773
		776,563	776,970
CURRENT ASSETS			
Inventories	13	451,608	486,517
Trade and other receivables	14	281,198	300,266
Tax recoverable		1,203	1,195
Pledged bank deposits	15	121,825	122,009
Bank balances and cash		75,074	70,233
		930,908	980,220
CURRENT LIABILITIES			
Trade and other payables	16	70,483	69,518
Contract liabilities		16,509	15,610
Amount due to a related company		2,930	4,050
Amount due to a non-controlling shareholder of a subsidiary		2,876	2,941
Tax payable		3,508	3,370
Secured bank borrowings	17	644,775	718,370
Bank overdrafts	17	33,566	44,774
Derivative liabilities		41	273
Lease liabilities		2,679	708
		777,367	859,614
NET CURRENT ASSETS		153,541	120,606
		930,104	897,576

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	<i>Notes</i>	30.6.2021 <i>HK\$'000</i> (Unaudited)	31.12.2020 <i>HK\$'000</i> (Audited)
CAPITAL AND RESERVES			
Share capital	<i>18</i>	53,377	53,377
Reserves		849,333	818,868
<hr/>			
Equity attributable to owners of the Company		902,710	872,245
Non-controlling interests		2,014	710
<hr/>			
TOTAL EQUITY		904,724	872,955
<hr/>			
NON-CURRENT LIABILITIES			
Deferred tax liabilities		5,048	5,188
Lease Liabilities		9,802	8,168
Secured bank borrowings	<i>17</i>	10,530	11,265
<hr/>			
		25,380	24,621
<hr/>			
		930,104	897,576
<hr/>			

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Property revaluation reserve HK\$'000	Share award reserve HK\$'000	Share held for share award scheme HK\$'000 (Note 19)	Other reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 31 December 2020 (audited) and 1 January 2021	53,377	466,772	(53,992)	103,999	286	(531)	(76)	(21,836)	324,246	872,245	710	872,955
Profit for the period	-	-	-	-	-	-	-	-	29,626	29,626	1,125	30,751
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	775	-	775	179	954
Total comprehensive income for the period	-	-	-	-	-	-	-	775	29,626	30,401	1,304	31,705
Employee share award scheme:												
- Value of employee services	-	-	-	-	64	-	-	-	-	64	-	64
At 30 June 2021 (unaudited)	53,377	466,772	(53,992)	103,999	350	(531)	(76)	(21,061)	353,872	902,710	2,014	904,724
At 1 January 2020 (audited)	51,432	434,042	(53,992)	103,260	1,843	(3,397)	(76)	(23,497)	353,644	863,259	2,637	865,896
Profit (loss) for the period	-	-	-	-	-	-	-	-	7,902	7,902	(1,357)	6,545
Exchange differences arising from translation of foreign operations	-	-	-	-	-	-	-	(4,488)	-	(4,488)	(19)	(4,507)
Total comprehensive (expense) income for the period	-	-	-	-	-	-	-	(4,488)	7,902	3,414	(1,376)	2,038
Employee share award scheme:												
- Value of employee services	-	-	-	-	574	-	-	-	-	574	-	574
Dividend declared as distribution (note 10)	-	-	-	-	-	-	-	-	(13,222)	(13,222)	-	(13,222)
At 30 June 2020 (unaudited)	51,432	434,042	(53,992)	103,260	2,417	(3,397)	(76)	(27,985)	348,324	854,025	1,261	855,286

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2021

	Six months ended	
	30.6.2021 HK\$'000 (Unaudited)	30.6.2020 HK\$'000 (Unaudited)
OPERATING ACTIVITIES		
Operating cash flows before movements in working capital	64,493	52,369
Decrease in inventories	34,909	15,008
Decrease in trade and other receivables	19,689	16,496
Other operating activities	165	6,076
Net cash from operating activities	119,256	89,949
Investing activities		
Purchase of property, plant and equipment	(6,676)	(12,922)
Placement of pledged bank deposits	–	(20,635)
Withdrawal of pledged bank deposit	184	–
Payment for property rental deposits	(377)	–
Repayment of property rental deposits	319	–
Deposit paid for acquisition of property, plant and equipment	(915)	(681)
Interest received	67	180
Receipts from withdrawal of insurance contract	4,588	8,767
Payment for new insurance contracts	(9,421)	–
Net cash used in investing activities	(12,231)	(25,291)
Net cash from financing activities		
New bank overdrafts raised	152,059	110,192
New mortgage and short term loans raised	68,019	28,064
New trust receipt loan and discounted bills raised	22,522	90,259
Advance from a related company	6,680	–
Repayment to a related company	(7,800)	(45,950)
Advance from a non-controlling shareholder of a subsidiary	521	286
Repayment to a non-controlling shareholder of a subsidiary	(586)	–
Repayment of bank overdrafts	(163,267)	(124,380)
Repayments of mortgage and short term loans	(88,297)	(68,819)
Repayment of trust receipt loan and discounted bills	(76,574)	(28,063)
Interest paid	(14,640)	(16,521)
Repayments of lease liabilities	(1,401)	(1,511)
Net cash used in financing activities	(102,764)	(56,443)
Net increase in cash and cash equivalents	4,261	8,215
Cash and cash equivalents at beginning of the period	70,233	36,109
Effect of foreign exchange rate changes	580	(160)
Cash and cash equivalents at end of the period, represented by bank balances and cash	75,074	44,164

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

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

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”). The Company’s functional currency is United State dollars (“**US\$**”). For the convenience of the financial statements users, the condensed consolidated financial statements are presented in HK\$ as the Company’s shares are listed on the Stock Exchange.

2. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

APPLICATION OF AMENDMENTS TO HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39 HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 IMPACTS AND ACCOUNTING POLICIES ON APPLICATION OF AMENDMENTS TO HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 AND HKFRS 16 “INTEREST RATE BENCHMARK REFORM – PHASE 2”

2.1.1 Accounting policies

Financial instruments

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

2. PRINCIPAL ACCOUNTING POLICIES (continued)

2.1 IMPACTS AND ACCOUNTING POLICIES ON APPLICATION OF AMENDMENTS TO HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 AND HKFRS 16 “INTEREST RATE BENCHMARK REFORM – PHASE 2” (continued)

2.1.2 Transition and summary of effects

As at 1 January 2021, the Group has several financial liabilities and derivatives, the interest of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform.

The following table shows the total amounts of outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts and derivatives are shown at their notional amounts.

	London Interbank Offered Rate ("LIBOR") <i>HK\$'000</i>	Hong Kong Interbank Offered Rate ("HIBOR") <i>HK\$'000</i>
Secured bank borrowings	332,883	276,125
Bank overdrafts	31,332	–
Derivative liabilities	–	15,000

The Group intends to apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for secured bank borrowings and bank overdrafts measured at amortised cost and derivative liabilities at fair value through profit or loss (“FVTPL”). The amendments have had no impact on the condensed consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the interim period. The impacts on application of the amendments, if any, including additional disclosures, will be reflected in the Group’s consolidated financial statements for the year ending 31 December 2021.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION (continued)

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

Group revenue by products

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Wigs, hair accessories and others	459,195	295,161
High-end human hair extensions	68,048	51,266
Halloween products	21,644	21,776
	548,887	368,203

Group revenue by location of delivery to customers

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
United States of America	492,361	315,982
The People's Republic of China ("the PRC")	12,140	13,238
United Kingdom	7,442	4,899
Germany	17,240	7,927
Japan	14,593	14,112
Others	5,111	12,045
	548,887	368,203

All revenue is recognised at a point of time.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

3. REVENUE AND SEGMENT INFORMATION (continued)

DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS (continued)

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 recognized for receipt in advance for sales in which revenue has yet been recognised.

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

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

4. OTHER GAINS AND LOSSES

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Change in fair value of the financial assets at FVTPL	(1,817)	(1,134)
Change in fair value of derivative liabilities	232	(100)
Loss on disposal of property, plant and equipment	-	(225)
Inventories written off <i>(Note)</i>	-	(6,186)
Net foreign exchange (loss) gains	(1,834)	81
	(3,419)	(7,564)

Note: In June 2020, certain of the Group's fully depreciated machinery, equipment, furniture and fixtures and inventories located in the Group's Bangladesh factory were damaged by fire. The fire accident had no material impact to the operation of the factory and production lines.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5. IMPAIRMENT ASSESSMENT ON TRADE RECEIVABLES SUBJECT TO EXPECTED CREDIT LOSS MODEL

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
Impairment loss (reversed) recognised in respect of trade receivables	(940)	1,656

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

During the current interim period, the Group net reversed impairment allowance of HK\$940,000 in respect of trade receivables (six months ended 30 June 2020: impairment allowance HK\$1,656,000).

6. OTHER EXPENSES

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Donation expense	388	227

7. FINANCE COSTS

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	14,452	16,115
Less: amount capitalised in the cost of qualifying assets	(3,631)	(6,458)
	10,821	9,657
Interest on lease liabilities	446	406
	11,267	10,063

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

8. INCOME TAX EXPENSE

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
The taxation charge comprises:		
Current tax:		
Hong Kong	–	20
Bangladesh	1,695	299
The PRC Enterprise Income Tax (“EIT”)	3	71
Other jurisdictions	131	64
	1,829	454
Deferred tax:		
Current period	(140)	101
	1,689	555

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

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

8. INCOME TAX EXPENSE (continued)

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

For both periods, the subsidiaries operating in Bangladesh are subject to income tax rate of the higher of 0.6% of revenue or 32.5% on the assessable profit except Evergreen Products Factory (BD) Limited and Master Purple (BD) Limited. Evergreen Products Factory (BD) Limited 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 April 2020. Master Purple (BD) Limited operating in Bangladesh is exempted from income tax for 3 financial years from the date of commencement of commercial operation (i.e. 9 March 2020) up to 8 March 2023, afterwards with 3 financial years of 50% exemption and subsequently with 1 financial year of 25% exemption.

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

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

9. PROFIT FOR THE PERIOD

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Depreciation of property, plant and equipment	18,368	22,399
Depreciation of right-of-use assets	1,776	2,112
Total depreciation and amortisation	20,144	24,511
Interest income	(67)	(180)
Government grants (included in other income)	(123)	(876)
Cost of inventories recognised as expense (included in cost of goods sold)	431,481	280,655
Short-term lease payments	38	38

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

10. DIVIDENDS

During the period ended 30 June 2021, no dividend were paid, declared or proposed.

During the period ended 30 June 2020, a final dividend of HK2.00 cents per share in respect of the year ended 31 December 2019 was declared to the owners of the Company. The aggregate amount of the final dividend declared in the prior interim period amounted to approximately HK\$13,222,000.

Subsequent to the end of the current interim period, the directors of the Group have determined that an interim dividend of HK1.30 cents per share amounting to HK\$8,919,000 in aggregate will be paid to owners of the Company whose names appear in the Register of Members on 13 September 2021.

11. EARNINGS PER SHARE

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

	Six months ended	
	30.6.2021	30.6.2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Earnings attributable to owners of the Company:		
Earnings for the purpose of calculating basic and diluted earnings per share	29,626	7,902
	Six months ended	
	30.6.2021	30.6.2020
	'000	'000
	(Unaudited)	(Unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	685,727	658,816
Effect of dilutive potential ordinary shares:		
Share awards scheme	230	2,078
Weighted average number of ordinary shares for the purpose of diluted earnings per share	685,957	660,894

The weighted average number of ordinary shares for the purpose of basic earnings per share shown above has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company as set out in Note 19.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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

During the period ended 30 June 2021, the Group spent HK\$9,651,000 (for the six months ended 30 June 2020: HK\$12,922,000 (unaudited)) on property, plant and equipment.

In the opinion of the directors of the Company, the respective carrying amounts of the Group's owned properties at the end of the current interim period that are carried at revalued amounts do not differ significantly from their respective estimated fair values. Consequently, no revaluation surplus or deficit has been recognised in the current interim period.

During the period ended 30 June 2021, the Group entered into a new lease agreement for the use of leasehold land and buildings (for the six months ended 30 June 2020: motor vehicle) with lease term ranged from 2.2 to 3 years (for the six months ended 30 June 2020: 4.5 years). The Group is required to make fixed monthly payments. On lease commencement, the Group recognised right-of-use assets of HK\$5,006,000 (for the six months ended 30 June 2020: HK\$322,000) and lease liabilities of HK\$5,006,000 (for the six months ended 30 June 2020: HK\$322,000).

13. INVENTORIES

	30.6.2021	31.12.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Raw materials	327,834	367,380
Work in progress	60,209	60,095
Finished goods	63,565	59,042
	451,608	486,517

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

14. TRADE AND OTHER RECEIVABLES

	30.6.2021 <i>HK\$'000</i> (Unaudited)	31.12.2020 <i>HK\$'000</i> (Audited)
Trade receivables		
– contracts with customers	191,479	196,720
Less: allowance for credit loss	(1,760)	(2,700)
	189,719	194,020
Other receivables	38,799	38,160
Purchase rebate receivables	–	12,449
Other tax receivables	800	1,247
Prepayments	11,219	10,272
Deposits paid to suppliers	40,587	43,725
Deposits for acquisition of property, plant and equipment	10,269	12,587
Property rental deposits	1,157	1,099
	292,550	313,559
Analysis for reporting purpose as		
Non-current assets	11,352	13,293
Current assets	281,198	300,266
	292,550	313,559

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

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

	30.6.2021 <i>HK\$'000</i> (Unaudited)	31.12.2020 <i>HK\$'000</i> (Audited)
0 – 60 days	160,653	137,794
61 – 90 days	15,161	39,643
91 – 120 days	9,210	11,422
Over 120 days	4,695	5,161
	189,719	194,020

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

15. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged to banks to secure bank borrowings and are therefore classified as current assets.

The deposits carry fixed interest rate ranging from 0.001% to 1.95% (31 December 2020: 0.001% to 1.69%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank borrowings.

16. TRADE AND OTHER PAYABLES

	30.6.2021	31.12.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Trade payables	39,582	46,513
Accrued staff costs	25,939	19,425
Accruals and other payables	4,962	3,580
	70,483	69,518

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

	30.6.2021	31.12.2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 – 60 days	38,681	46,513
61 – 90 days	67	–
Over 120 days	834	–
	39,582	46,513

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

17. SECURED BANK BORROWINGS/BANK OVERDRAFTS

	30.6.2021 <i>HK\$'000</i> (Unaudited)	31.12.2020 <i>HK\$'000</i> (Audited)
Bank overdrafts	33,566	44,774
Trust receipts loans and discounted bills	284,620	338,672
Mortgage and short term loan	370,685	390,963
	688,871	774,409

The carrying amounts of the borrowings are analysed as follows:

Original currency	30.6.2021 <i>HK\$'000</i> (Unaudited)	31.12.2020 <i>HK\$'000</i> (Audited)	Interest rate
HK\$	281,268	365,899	Hong Kong Dollar Prime Rate minus 1.85% to Hong Kong Dollar Prime Rate plus 1% or HIBOR plus 1.2% to HIBOR plus 3.5% (31 December 2020: Hong Kong Dollar Prime Rate minus 1.5% to Hong Kong Dollar Prime Rate or HIBOR plus 1.2% to HIBOR plus 3.5% or fixed interest rate at 5.65%)
US\$	332,115	332,883	LIBOR plus 2.5% to LIBOR plus 4% (31 December 2020: LIBOR plus 1.5%)
RMB	64,958	64,362	PRC Loan Prime Rate plus 1% to PRC Loan Prime Rate plus 1.375% (31 December 2020: PRC Loan Prime Rate plus 1% to PRC Loan Prime Rate plus 1.375%)
JYP\$	10,530	11,265	Fixed interest at 1.19% or 1.78% (31 December 2020: Fixed interest at 1.19% or 1.78%)
Total	688,871	774,409	

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

17. SECURED BANK BORROWINGS/BANK OVERDRAFTS (continued)

The Group's bank borrowings are payable as follows:

	30.6.2021 <i>HK\$'000</i> (Unaudited)	31.12.2020 <i>HK\$'000</i> (Audited)
Bank overdrafts	33,566	44,774
Bank borrowings are repayable (<i>Note</i>)		
Within 1 year	587,658	634,906
After 1 year but within 2 years	17,267	26,949
After 2 years but within 5 years	41,954	54,451
After 5 years	8,426	13,329
Total bank borrowings	655,305	729,635
Total	688,871	774,409
Bank borrowings comprising:		
Amounts due within one year shown under current liabilities and containing a repayment on demand clause	587,658	634,906
Amounts that are not repayable within one year from the end of the reporting period but containing a repayment on demand clause (shown under current liabilities)	57,117	83,464
	644,775	718,370
Amounts due within one year shown under current liabilities		
Comprising:		
Bank overdrafts	33,566	44,774
Secured bank borrowings	644,775	718,370
	678,341	763,144
Amounts shown under non-current liabilities		
Comprising:		
Secured bank borrowings	10,530	11,265
Total	688,871	774,409

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

17. SECURED BANK BORROWINGS/BANK OVERDRAFTS (continued)

Bank overdrafts carry interest at market rates which range from 3.64% to 5.88% and are repayable on demand (31 December 2020: 5.00% to 6.27%).

The bank borrowings arranged at floating rates are with average effective interest rates ranging from 1.83% to 5.25% (31 December 2020: 1.47% to 6.20%) per annum. The bank borrowings arranged at fixed rate are ranging from 1.19% to 1.78% (2020: ranging from 1.19% to 5.65%) per annum.

As at 30 June 2021 and 31 December 2020, the Group's banking facilities were secured by:

- (a) pledge of the Group's bank deposits of approximately HK\$121,825,000 (2020: HK\$122,009,000);
- (b) the Group's land and buildings and carparks in Hong Kong of approximately HK\$85,900,000 (2020: HK\$85,900,000);
- (c) negative pledge on the assets of certain subsidiaries in the PRC and Bangladesh; and
- (d) certain financial assets at FVTPL of the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

18. SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital US\$'000
Ordinary shares of US\$0.01 each		
Authorised:		
At 1 January 2020, 31 December 2020, 1 January 2021 and 30 June 2021	1,000,000,000	10,000
Issued and fully paid:		
At 1 January 2020	661,082,000	6,611
Issue of new ordinary shares by way of placing (note)	25,000,000	250
At 31 December 2020, 1 January 2021 and 30 June 2021	686,082,000	6,861

Shown in the condensed consolidated financial statement as:

	Amount HK\$'000
At 31 December 2020 and 30 June 2021	53,377

Note: On 11 September 2020, the Company completed the placing of new ordinary shares to independent investors of 25,000,000 ordinary shares of US\$0.01 each of the Company at a price of HK\$1.43 per ordinary share representing a discount of approximately 17.82% to the closing market price of the Company's ordinary shares on 7 August 2020. The new shares rank pari passu with the existing shares in all respects.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

19. SHARE BASED PAYMENT TRANSACTIONS

SHARE OPTION SCHEME

The Group adopted a share option scheme on 19 June 2017 (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to provide any directors and full-time employees of any members of the Group who have contributed or will contribute to the Group (the “**Participants**”) with the opportunity to acquire proprietary interests in the Company and to encourage Participants to work towards enhancing the value of the Company and its shares for the benefit of the Company with a flexible means of either retaining, incentivising, rewarding, remunerating, compensating and/or providing benefits to Participants.

Pursuant to the Share Option Scheme, the directors of the Company may invite the Participants to take up options at a price determined by the board of directors provided that it shall be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange of Hong Kong Limited’s daily quotations sheet on the date on which an offer is made by the Company to the grantee (which must be a business day, the “**Offer Date**”); (b) a price being the average of the closing prices of the shares of the Company as stated in the Stock Exchange of Hong Kong Limited’s daily quotations sheets for the 5 business days immediately preceding the Offer Date; and (c) the nominal value of a share of the Company.

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

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

19. SHARE BASED PAYMENT TRANSACTIONS (continued)

SHARE AWARD SCHEME

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

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

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

The award shares were vested to the selected participants in three tranches with 1,333,000 Shares vested in July 2018, 1,735,000 Shares vested in July 2019 and 1,910,667 Shares of the Company vested in July 2020. The award shares will be vested to selected participants in next tranche with 250,000 Shares to be vested in July 2021.

The fair value of the shares awards determined based on share price at grant date amounting to HK\$64,000 is recognised as staff cost in the profit or loss for the six months ended 30 June 2021 (30 June 2020: HK\$574,000). As at 30 June 2021, 355,333 (31 December 2020: 355,333) ordinary shares of the Company were held by the trustee of the Share Award Scheme, of which 250,000 (31 December 2020: 250,000) shares remained unvested and 105,333 (31 December 2019: 105,333) shares remained ungranted or lapsed. The ungranted and lapsed shares remain as trust fund and will be used for grant of share awards in future. The 250,000 shares are subsequently vested on 13 July 2021.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

19. SHARE BASED PAYMENT TRANSACTIONS (continued)

SHARE AWARD SCHEME (continued)

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

Outstanding Awarded Shares as at 1 January 2020	Number of Awarded Shares vested during the year	Number of Awarded Shares lapsed during the year	Outstanding Awarded Shares as at 31 December 2020
2,194,667	(1,910,667)	(34,000)	250,000

Outstanding Awarded Shares as at 1 January 2021	Number of Awarded Shares vested during the period	Number of Awarded Shares lapsed during the period	Outstanding Awarded Shares as at 30 June 2021
250,000	–	–	250,000

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorized (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (continued)

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

Financial asset and liabilities	Fair value as at		Fair value hierarchy	Valuation technique and key inputs
	30.6.2021 HK\$'000 (Unaudited)	31.12.2020 HK\$'000 (Audited)		
Derivative liability – interest rate swap	Liabilities – 41	Liabilities – 273	Level 2	Discounted cash flow. Future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contracted interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Financial assets at FVTPL	Assets – 19,789	Assets – 16,773	Level 2	Values quoted by insurance companies.

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

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

21. CAPITAL COMMITMENT

	30.6.2021 <i>HK\$'000</i> (Unaudited)	31.12.2020 <i>HK\$'000</i> (Audited)
Contracted but not provided in the condensed consolidated financial statements of financial position in respect of		
– acquisition of land for construction	230	974
– acquisition of property, plant and equipment	800	–
	1,030	974

22. RELATED PARTY TRANSACTIONS

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

(a)

		Six months ended	
	<i>Note</i>	30.6.2021 <i>HK\$'000</i> (Unaudited)	30.6.2020 <i>HK\$'000</i> (Unaudited)
Computer product and service expenses	(i)	540	540

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

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

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

	Six months ended	
	30.6.2021 <i>HK\$'000</i> (Unaudited)	30.6.2020 <i>HK\$'000</i> (Unaudited)
Short-term benefits	3,498	1,960
Post-employment benefits	41	41
	3,539	2,001

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

23. EVENTS AFTER THE END OF THE REPORTING PERIOD

- (a) On 5 July 2021, the Group entered into a supplemental agreement with a related company which stated that any advances from that related company after 5 July 2021 will change from interest-free to bearing fixed interest of 4.5% per annum.
- (b) On 5 July 2021, the Group granted 105,333 shares to certain employees of the Group under Share Award Scheme. These shares will be vested in October 2021.

24. APPROVAL OF INTERIM FINANCIAL INFORMATION

The interim financial information was approved by the Board of Directors on 20 August 2021.