

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **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 2021**

#### **FINANCIAL HIGHLIGHTS**

- Revenue for the Year amounted to HK\$1,207.4 million, representing an increase of 35.6% from HK\$890.2 million for the year ended 31 December 2020.
- Gross profit margin for the Year was 20.6%, representing an increase of 3.4 percentage points from 17.2% for the year ended 31 December 2020.
- Net profit for the Year amounted to HK\$57.1 million, representing a turnaround from a net loss of HK\$18.0 million for the year ended 31 December 2020.
- Basic and diluted earnings per Share attributable to equity shareholders of the Company for the Year were approximately HK8 cents and HK8 cents, respectively, representing an increase of approximately 500% and approximately 500%, respectively, as compared with the year ended 31 December 2020.
- As at 31 December 2021, the gearing ratio of the Group, which is equivalent to total interest-bearing debt (including secured bank borrowings, bank overdraft and obligations under finance leases) divided by total equity, was 72.8% as compared to 88.7% as at 31 December 2020.
- The Board has recommended the payment of a final dividend of HK1.1 cents per Share for the Year, plus the interim dividend of HK1.3 cents per Share already declared and paid, making a total dividend of HK2.4 cents per Share (2020: No interim and final dividend were declared). The dividend payout ratio for the Year was approximately 28.8% (2020: Nil).

## CONSOLIDATED ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Evergreen Products Group Limited (the “**Company**”) hereby announces the consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2021 (the “**Year**”) as set out below:

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

	<i>NOTES</i>	<b>2021</b> <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	<b>1,207,420</b>	890,201
Cost of goods sold		<b>(958,612)</b>	(737,546)
Gross profit		<b>248,808</b>	152,655
Other income	6	<b>4,501</b>	13,608
Other gains and losses	7	<b>(2,781)</b>	(22,380)
Impairment losses under expected credit loss model on trade receivables		<b>928</b>	(2,700)
Distribution and selling expenses		<b>(18,969)</b>	(13,437)
Administrative expenses		<b>(149,145)</b>	(123,144)
Other expenses	8	<b>(511)</b>	(253)
Finance costs	9	<b>(20,528)</b>	(21,699)
Profit (loss) before tax	10	<b>62,303</b>	(17,350)
Income tax expense	11	<b>(5,228)</b>	(632)
Profit (loss) for the year		<b>57,075</b>	(17,982)
Other comprehensive income (expense) for the year:			
<i>Items that will not be reclassified to profit or loss:</i>			
Surplus on revaluation of land and buildings		<b>(2,689)</b>	551
Deferred tax arising from revaluation of land and buildings		<b>288</b>	188
		<b>(2,401)</b>	739
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		<b>2,361</b>	1,540
Other comprehensive income for the year, net of income tax		<b>(40)</b>	2,279
Total comprehensive income (expense) for the year		<b>57,035</b>	(15,703)

	<i>Note</i>	<b>2021</b> <b><i>HK\$'000</i></b>	2020 <i>HK\$'000</i>
Profit (loss) for the year attributable to:			
Owners of the Company		<b>54,067</b>	(16,176)
Non-controlling interests		<b>3,008</b>	(1,806)
		<u><b>57,075</b></u>	<u>(17,982)</u>
Total comprehensive income (expense) attributable to:			
Owners of the Company		<b>53,842</b>	(13,776)
Non-controlling interests		<b>3,193</b>	(1,927)
		<u><b>57,035</b></u>	<u>(15,703)</u>
Earnings (loss) per share (HK\$)	<i>13</i>		
– basic		<u><b>0.08</b></u>	<u>(0.02)</u>
– diluted		<u><b>0.08</b></u>	<u>(0.02)</u>

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 31 December 2021*

	<i>NOTES</i>	<b>2021</b> <i>HK\$'000</i>	<b>2020</b> <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>14</i>	<b>715,786</b>	719,917
Right-of-use assets	<i>14</i>	<b>30,126</b>	26,987
Non-current deposits	<i>15</i>	<b>7,596</b>	13,293
Financial assets at fair value through profit or loss		<b>20,371</b>	16,773
		<b>773,879</b>	776,970
Current assets			
Inventories		<b>471,450</b>	486,517
Trade and other receivables	<i>15</i>	<b>294,315</b>	300,266
Tax recoverable		<b>1,320</b>	1,195
Pledged bank deposits		<b>106,568</b>	122,009
Bank balances and cash		<b>68,444</b>	70,233
		<b>942,097</b>	980,220
Current liabilities			
Trade and other payables	<i>16</i>	<b>72,783</b>	69,518
Contract liabilities	<i>17</i>	<b>8,791</b>	15,610
Amount due to a related company		<b>4,300</b>	4,050
Amount due to a non-controlling shareholder of a subsidiary		<b>6,021</b>	2,941
Tax payable		<b>8,519</b>	3,370
Secured bank borrowings	<i>18</i>	<b>575,240</b>	718,370
Bank overdrafts		<b>42,088</b>	44,774
Derivative liabilities		<b>–</b>	273
Lease liabilities		<b>2,669</b>	708
		<b>720,411</b>	859,614
Net current assets		<b>221,686</b>	120,606
		<b>995,565</b>	897,576

	<i>NOTES</i>	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Capital and reserves			
Share capital	<i>19</i>	<b>53,377</b>	53,377
Reserves		<b>864,411</b>	818,868
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>917,788</b>	872,245
Non-controlling interests		<b>3,903</b>	710
		<hr/>	<hr/>
Total equity		<b>921,691</b>	872,955
		<hr/>	<hr/>
Non-current liabilities			
Deferred tax liabilities		<b>5,777</b>	5,188
Lease liabilities		<b>9,417</b>	8,168
Secured bank borrowings	<i>18</i>	<b>41,224</b>	11,265
Employee retirement liabilities		<b>17,456</b>	–
		<hr/>	<hr/>
		<b>73,874</b>	24,621
		<hr/>	<hr/>
		<b>995,565</b>	897,576
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

## 1. GENERAL INFORMATION

Evergreen Products Group Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The Company’s immediate holding company is Evergreen Enterprise Holdings Limited, a company which was incorporated in the British Virgin Islands (the “**BVI**”). The Company’s ultimate holding company is Golden Evergreen Limited (“**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 settlors 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 PO Box 472, 2nd Floor, Harbour Place, 103 South Church Street, George Town, Grand Cayman KY1-1106, Cayman Islands and the principal place of business of the Company is 11th Floor, Chiap Luen Industrial Building, 30 – 32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong.

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

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

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSS**”)

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment 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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “**Committee**”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

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

***“Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2”***

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 “Financial Instruments: Disclosures” (“**HKFRS 7**”).

As at 1 January 2021, the Group has several financial liabilities and derivative liabilities, the interests 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 these outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts.

	<b>London Interbank Offered Rate  (“LIBOR”) HK\$’000</b>
<b>Financial liabilities</b>	
Secured bank borrowings	<b>301,551</b>
Bank Overdraft	<b>31,332</b>

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost.

***Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS2 “Inventories”)***

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group’s accounting policy prior to the Committee’s agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee’s agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively. The application of the Committee’s agenda decision has had no material impact on the Group’s financial positions and performance.

## New and amendments to HKFRSs in issue but not yet effective

HKFRS 17	Insurance Contracts and the related Amendments <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendment to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined

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

### ***Amendments to HKAS 1 “Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2021)”***

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

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity’s own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 “*Financial Instruments: Presentation*”.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group’s outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group’s liabilities.



### 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 2021 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 Rule 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
<b>Group revenue by products</b>		
Wigs, hair accessories and others	1,026,367	713,526
High-end human hair extensions	157,500	145,936
Halloween products	23,553	30,739
	<u>1,207,420</u>	<u>890,201</u>

All revenue is recognised at a point in time.

#### Performance obligation for contracts with customers

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

#### Transaction price allocated to the remaining performance obligation for contracts with customer

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

## 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 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 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	
	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
The United States of America (the “USA”)	1,057,770	784,079
The PRC	44,778	31,522
Germany	44,185	17,433
Japan	29,880	33,138
The United Kingdom	20,064	15,092
Others	10,743	8,937
	<u>1,207,420</u>	<u>890,201</u>

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

	2021 <i>HK\$’000</i>	2020 <i>HK\$’000</i>
Customer A <sup>1</sup>	504,634	332,679
Customer B <sup>1</sup>	170,284	148,971
	<u>504,634</u>	<u>148,971</u>

<sup>1</sup> The owner of Customer A is a relative of the owner of Customer B.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bangladesh	580,691	571,136
Hong Kong	87,052	99,557
The PRC	44,851	47,893
The USA	17,729	17,963
Japan	1,987	2,155
Thailand	7,099	8,017
Ukraine	13,109	12,770
	<u>752,518</u>	<u>759,491</u>

*Note:* Non-current assets excluded financial assets at fair value through profit or loss (“FVTPL”) and property rental deposits.

## 6. OTHER INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The amount represents:		
Bank interest income	155	238
Interest income on rental deposit	109	122
Processing income	84	774
Rental income from warehouses	1,193	924
Government grant ( <i>note</i> )	940	4,754
Insurance claim received	–	4,991
Sundry income	2,020	1,805
	<u>4,501</u>	<u>13,608</u>

*Note:* During the current year, the Group recognised government grants of HK\$940,000 in respect of COVID-19-related subsidies and technology development funds in which no future related cost is required or expected to be made. During the year ended 31 December 2020, the Group recognised government grants of HK\$4,754,000 in respect of COVID-19-related subsidies, which mainly comprised Employment Support Scheme provided by the Hong Kong government, unemployment and social grant provided by the PRC government, sustainable benefits and employment adjustment subsidy provided by the Japan government, and pandemic subsidy provided by the USA government.

## 7. OTHER GAINS AND LOSSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Changes in fair value of the financial assets at FVTPL	(1,235)	(294)
Changes in fair value of derivative liabilities	(1)	72
Loss on disposal of property, plant and equipment	–	(163)
Inventories written off ( <i>note</i> )	–	(19,619)
Net foreign exchange losses	(1,545)	(2,376)
	<u>(2,781)</u>	<u>(22,380)</u>

*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.

## 8. OTHER EXPENSES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Donation expense	<u>511</u>	<u>253</u>

## 9. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank borrowings	25,138	31,524
Less: amount capitalised in the cost of qualifying assets	(6,231)	(10,596)
	<u>18,907</u>	<u>20,928</u>
Interest on lease liabilities	877	771
Interest on contract liabilities	484	–
Interest on other borrowing	163	–
Interest on amount due to a related company	97	–
	<u>20,528</u>	<u>21,699</u>

## 10. PROFIT (LOSS) BEFORE TAX

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit (loss) before tax has been arrived at after charging:		
Depreciation of property, plant and equipment	36,257	38,254
Depreciation of right-of-use assets	3,264	3,520
	<hr/>	<hr/>
Total depreciation and amortisation	<b>39,521</b>	41,774
	<hr/>	<hr/>
Directors' emoluments		
– fee	801	1,022
– salaries and other benefits	7,289	4,905
– equity settled share-based expenses	375	985
– retirement benefits schemes contributions	84	95
	<hr/>	<hr/>
	8,549	7,007
Staff's salaries and other benefits	372,019	281,987
Staff's equity settled share-based expenses	245	324
Staff's retirement benefits scheme contributions	12,444	15,415
	<hr/>	<hr/>
Total staff costs	<b>393,257</b>	304,733
	<hr/>	<hr/>
Auditor's remuneration	2,418	1,871
Cost of inventories recognised as expense (included in cost of goods sold)	558,772	737,546
	<hr/>	<hr/>

## 11. INCOME TAX EXPENSE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
The income tax expense comprises:		
Under-provision in prior year		
Bangladesh	688	–
Current tax:		
Hong Kong	20	22
The PRC Enterprise Income Tax (“EIT”)	48	74
Bangladesh	3,029	223
Other jurisdictions	566	307
	<hr/>	<hr/>
	3,663	626
Deferred tax:		
Current year	877	6
	<hr/>	<hr/>
	<b>5,228</b>	632
	<hr/>	<hr/>

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.

For both years, the subsidiaries operating in Bangladesh are subject to income tax rate of the higher of 0.6% of revenue or 30% on the assessable profit for the year ended 31 December 2021 (2020: 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. Therefore tax rate 16.25% is applicable in the year 2020 and 30% in 2021. 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 years.

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

## 12. DIVIDENDS

	<b>2021</b> <b>HK\$'000</b>	2020 <i>HK\$'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2021 interim dividend of HK1.3 cent per share	<b>8,919</b>	–
2020 final dividend of Nil (2020: 2019 final dividend of HK2.00 cents) per share	–	13,222
	<b>8,919</b>	13,222

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK\$1.1 cents per ordinary share, in an aggregate amount of HK\$7,547,000 (2020: No final dividend was proposed for ordinary shareholders of the Company in respect of the year ended 31 December 2020), has been proposed by the directors of the Company and is subject to approval by the shareholders of the Company in the forthcoming annual general meeting.

### 13. EARNINGS (LOSS) PER SHARE

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Earnings (loss) attributable to owners of the Company:		
Earnings (loss) for the purpose of calculating basic and diluted earnings (loss) per share	<u>54,067</u>	<u>(16,176)</u>
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	685,868,608	667,295,876
Effect of dilutive potential ordinary share:		
Share award scheme	<u>213,392</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings (loss) earnings per share	<u>686,082,000</u>	<u>667,295,876</u>

The weighted average number of ordinary shares for the purpose of basic earnings per share shown above for the year ended 31 December 2021 and 2020 has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company.

The computation of diluted loss per share for the year ended 31 December 2020 does not take into account the shares held by the trustee of the share award scheme of the Company since it would result in a decrease in loss per share.

There were no other potential ordinary shares outstanding as at the end of both reporting periods.

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

During the Year, the Group spent approximately HK\$37.9 million (2020: HK\$39.4 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 decrease of HK\$2,689,000 has been credited to the properties revaluation reserve for the year ended 31 December 2021 (2020: revaluation surplus of HK\$551,000).

During the Year, the Group entered into a new lease agreement for the leasehold land and buildings ranging from 2 to 49 years. The Group is required to make fixed monthly payment. On the lease commencement, the Group recognised HK\$12,086,000 of right-of-use assets and HK\$11,819,000 of lease liabilities (2020: HK\$8,876,000 right-of-use assets and HK\$8,821,000 lease liabilities).

## 15. TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables		
– contracts with customers	236,425	196,720
Less: Allowance for credit losses	<u>(1,772)</u>	<u>(2,700)</u>
	234,653	194,020
Other receivables	36,132	38,160
Purchase rebate receivables	7,695	12,449
Other tax receivables	2,087	1,247
Prepayments	8,286	10,272
Deposits paid to suppliers	5,462	43,725
Deposits for acquisition of property, plant and equipment	6,491	12,587
Property rental deposits	<u>1,105</u>	<u>1,099</u>
	<u><b>301,911</b></u>	<u><b>313,559</b></u>
Analysis for reporting purpose as		
Non-current assets	7,596	13,293
Current assets	<u>294,315</u>	<u>300,266</u>
	<u><b>301,911</b></u>	<u><b>313,559</b></u>

As at 1 January 2020, trade receivables from contracts with customers amounted to HK\$183,607,000.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 60 days	182,885	137,794
61 – 90 days	37,612	39,643
91 – 120 days	8,013	11,422
Over 120 days	<u>6,143</u>	<u>5,161</u>
	<u><b>234,653</b></u>	<u><b>194,020</b></u>

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 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$22,027,000 (2020: HK\$14,557,000) are past due at the reporting date. Out of the past due balance, HK\$266,000 (2020: HK\$571,000) has been past due 90 days or more and is not considered as in default due to long and on-going business relationship and good repayment record from these customers.

The Group does not hold any collateral over the balances.

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



## 16. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	44,551	46,513
Accrued staff costs	19,795	19,425
Accruals and other payables	8,437	3,580
	<u>72,783</u>	<u>69,518</u>

Credit period on purchases of goods is granted from 0-120 days but the Group will normally settle within 60 days.

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
0 – 60 days	<u>44,551</u>	<u>46,513</u>

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong dollars	<u>24,058</u>	<u>8,961</u>

## 17. CONTRACT LIABILITIES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Receipt in advance for sale of hair products	<u>8,791</u>	<u>15,610</u>

As at 1 January 2020, contract liabilities amounted to HK\$3,391,000.

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.

Contract liabilities are classified as current as they are expected to be settled within the Group's normal operating cycle. The balance of contract liabilities has decreased mainly due to the delivery of hair products during the year.

During the year ended 31 December 2020, one of the customers prepaid 18-months deposit with interest charged at 8% per annum, for its future purchase. As at 31 December 2021, the amount of HK\$1,945,000 (2020: HK\$11,670,000) are included in contract liabilities.

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\$159.6 million (2020: HK\$269.0 million) and repaid mortgage and short-term loans of HK\$379.8 million (2020: HK\$216.7 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 2021, the bank borrowings arranged at floating rate are with average effective interest rates interest ranging from 1.86% to 5.23% (2020: 1.47% to 6.20%) per annum. The bank borrowings arranged at fixed rate is ranging from 1.19% to 1.78% (2020: 1.19% to 1.78%) per annum.

## 19. SHARE CAPITAL OF THE COMPANY

	<i>Notes</i>	<b>Number of shares</b>	<b>Share capital US\$'000</b>
Ordinary shares of US\$0.01 each			
Authorised:			
At 1 January 2020, 31 December 2020 and 31 December 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	<i>(a)</i>	25,000,000	250
At 31 December 2020 and 2021		<u>686,082,000</u>	<u>6,861</u>
Shown in the consolidated financial statements as:			
			<b>Amount HK\$'000</b>
At 31 December 2020 and at 31 December 2021			<u>53,377</u>

### *Note:*

- (a) 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.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

During the Year, the global impact of the COVID-19 pandemic continued to wreak havoc worldwide and brought unprecedented challenges to all industries, with the hair wig industry witnessing a positive demand across all regions amid the pandemic. The lockdown implementation, the capacity restrictions and the social distancing measures and masking in countries all over the world has played a significant role in paving a way to escalate the consumption rate. This is due to the closed down of salons amid 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 to help achieve their desired look. This resulted in a strong consumption of the braid products since the second half of 2020 and throughout the rest of the Year.

As more and more people get vaccinated, some countries have lifted the restrictions to resume the economic activities. The people can return to hair salons for hair maintenance and styling, and to retail shops buying hair products which is driving the consumption for and hence the sales of human hair extension products and lace products with a high profit margin and the sales of these products have gradually been recovered during the Year. The revenue of the Group increased to HK\$1,207 million for the Year, representing an increase of approximately 35.6% against the corresponding year ended 31 December 2020. Gross profit margin slightly increased to 20.6% when compared to 17.2% for the year ended 31 December 2020, mainly due to the change in the product mix since the second half of 2020, which continued throughout the Year. The sale of braid products with a low margin kept a strong demand and the sale of human hair products with a high margin has gradually been recovered. The newly launched products, lace closures, contributed to the revenue growth during the Year.

Under the above operating environment, there was a significant turnaround in the overall financial performance of the Group from a net loss margin of -2.1% for the year ended 31 December 2020 to a net profit margin of 4.7%, which mainly due to our stable supply chain and the production which was not significantly impacted by the Bangladesh government's epidemic prevention measures to further enhance in its production capabilities to satisfy strong market demand of the Group's wigs and hair products.

### **FINANCIAL REVIEW**

During the Year, the Group's financial results improved significantly compared with 2020, primarily due to the revenue growth substantially boosted by the strong market consumption amid pandemic, the launch of effective vaccination programs and lifting of epidemic precaution control measures by some countries.

#### **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\$1,207.4 million, representing an increase of HK\$317.2 million or 35.6% as compared with HK\$890.2 million for the year ended 31 December 2020. The increase was primarily due to the strong market demand for its wigs and hairs products. During the Year, market demand for the Group's wig and hairs products continued to grow, with its braid products continued with a strong market demand, human hair extension products recovery and the sale contribution from the newly launched products, lace closures, during the Year. The Bangladesh factory has consistent enhancement in its production capabilities to satisfy strong market demand. During the Year, the revenue generated from hair products made at the Bangladesh Factory accounted for 95.2% of the Group's total revenue as compared to 96.3% for the year ended 31 December 2020.

The United States remained as the Group's principal market during the Year with revenue contribution accounting for 87.6% of the Group's total revenue during the Year as compared to 88.1% for the year ended 31 December 2020. In terms of product segments, wigs, hair accessories and others remained as the Group's key product segment, accounted for 85.0% of its total revenue during the Year as compared to 80.2% for the year ended 31 December 2020.

*Wigs, hair accessories and others.* Revenue from wigs, hair accessories and others increased by HK\$312.9 million, or 43.9%, from HK\$713.5 million for the year ended 31 December 2020 to HK\$1,026.4 million for the Year, primary due to the increased sales on braids products and the sale contribution from newly launched products, lace closures, during the Year.

*High-end human hair extensions.* Revenue from high-end human hair extensions increased by HK\$11.6 million, or 8.0%, from HK\$145.9 million for the year ended 31 December 2020 to HK\$157.5 million for the Year, primarily due to the market demand recovery amid pandemic.

*Halloween products.* Revenue from Halloween products decreased by HK\$7.1 million, or 23.1%, from HK\$30.7 million for the year ended 31 December 2020 to HK\$23.6 million for the Year, primarily due to the continuation of the epidemic precaution control measures amid pandemic.

## **Cost of Goods Sold**

The Group's cost of goods sold increased by HK\$221.1 million, or 30.0%, from HK\$737.5 million for the year ended 31 December 2020 to HK\$958.6 million for the Year, which is in line with an increase in revenue during the Year.

*Wigs, hair accessories and others.* Cost of goods sold for wigs, hair accessories and others increased by HK\$217.3 million, or 35.6%, from HK\$611.1 million for the year ended 31 December 2020 to HK\$828.4 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\$9.4 million, or 8.9%, from HK\$105.2 million for the year ended 31 December 2020 to HK\$114.6 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 by HK\$5.5 million, or 25.9%, from HK\$21.2 million for the year ended 31 December 2020 to HK\$15.7 million for the Year, corresponding with a decrease in sales of these products during the Year.

## **Gross Profit**

During the Year, the Group's gross profit amounted to HK\$248.8 million, representing an increase of HK\$96.1 million, or 62.9%, as compared with HK\$152.7 million for the year ended 31 December 2020, primarily due to its braid products continued with a strong market demand and human hair extension products recovery. During the Year, the Group's gross profit margin amounted to 20.6%, representing an increase of 3.4 percentage points from 17.2% for the year ended 31 December 2020.

*Wigs, hair accessories and others.* Gross profit for wigs, hair accessories and others largely increased by HK\$95.6 million, or 93.4%, from HK\$102.4 million for the year ended 31 December 2020 to HK\$198 million for the Year. Gross profit margin for this segment increased from 14.3% for the year ended 31 December 2020 to 19.3% for the Year, primarily due to an increase in sales of the lace wig products with a high profit margin during the Year.

*High-end human hair extensions.* Gross profit for high-end human hair extensions increased by HK\$2.1 million, or 5.1%, from HK\$40.8 million for the year ended 31 December 2020 to HK\$42.9 million for the Year. Gross profit margin for this segment declined from 27.9% for the year ended 31 December 2020 to 27.2% for the Year, primarily due to a rise in the cost of raw materials during the Year when compared to the year ended 31 December 2020.

*Halloween products.* Gross profit for Halloween products decreased by HK\$1.6 million, or 16.8%, from HK\$9.5 million for the year ended 31 December 2020 to HK\$7.9 million for the Year. Gross profit margin for Halloween products increased from 30.9% for the year ended 31 December 2020 to 33.5% for the Year, primarily due to an effective production cost control during the Year when compared to the year ended 31 December 2020.

## **Other Income**

Other income decreased by HK\$9.1 million, or 66.9%, from HK\$13.6 million for the year ended 31 December 2020 to HK\$4.5 million for the Year, primarily due to no compensation from insurance claims in relation to cargo shipment and government support scheme during the Year.

## **Other Gains And Losses**

Other gains and losses decreased by HK\$19.6 million, or 87.5%, from a loss of HK\$22.4 million for the year ended 31 December 2020 to HK\$2.8 million for the Year, primarily due to no inventory written off in relation to fire accident during the Year.

## **Impairment Losses Under Expected Credit Loss Model**

During the Year, the Group reversed impairment allowance of HK\$0.9 million in respect of trade receivables (2020: HK\$2.7 million). Since the pandemic, the Group has reduced the credit term to prevent financial uncertainty that could lead to a decrease in credit default rates.

## **Distribution and Selling Expenses**

Distribution and selling expenses increased by HK\$5.6 million, or 41.8%, from HK\$13.4 million for the year ended 31 December 2020 to HK\$19.0 million for the Year, primarily due to an increase in shipping expenses in respect of the sale conducted during the Year.

## **Administrative Expenses**

Administrative expenses increased by HK\$26.0 million, or 21.1%, from HK\$123.1 million for the year ended 31 December 2020 to HK\$149.1 million for the Year, primarily due to an increase in the employee benefit provision.

## **Other Expenses**

Other expenses increased by HK\$0.2 million, or 66.7%, from HK\$0.3 million for the year ended 31 December 2020 to HK\$0.5 million for the Year. The donation made by the Group during the Year amounted to HK\$0.5 million (2020: HK\$0.3 million).

## **Finance Costs**

Finance costs decreased by HK\$1.2 million, or 5.5%, from HK\$21.7 million for the year ended 31 December 2020 to HK\$20.5 million for the Year. During the Year, the Group capitalised interest on bank borrowings of HK\$6.2 million as the cost of qualifying assets (2020: HK\$10.6 million). Without such capitalisation, the decrease in finance costs, as compared to the year ended 31 December 2020, was HK\$5.6 million or 17.3% for the Year, primarily due to a decrease in bank borrowings.

## **Taxation**

Income tax expense of the Group increased by HK\$4.6 million, or 766.7%, from HK\$0.6 million for the year ended 31 December 2020 to HK\$5.2 million for the Year. Income tax expense included deferred taxation in the amount of HK\$0.9 million for the Year (2020: included deferred taxation in the amount of HK\$6,000).

## **Net Profit**

The Group's net profit for the Year amounted to HK\$57.1 million, representing a turnaround of increase of HK\$75.1 million, or 417.2%, as compared with a net loss of HK\$18.0 million for the year ended 31 December 2020, primarily attributable to the gradual rebound in the demand for and hence the sale of human hair extension products and lace products with a high profit margin and a strong demand for braid products since the pandemic during the Year.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's bank balances, pledged bank deposits and cash decreased by HK\$17.2 million or 8.9% from HK\$192.2 million as at 31 December 2020 to HK\$175.0 million as at 31 December 2021. The decrease in cash and bank balances as at 31 December 2021 was primarily due to the repayment of bank loans and trade facilities during the Year.

## **Borrowings and Gearing Ratio**

As at 31 December 2021, the Group's banking facilities amounted to HK\$891.6 million, of which HK\$233.1 million remained unutilised. As at 31 December 2021, the gearing ratio of the Group, which is equivalent to total interest-bearing debt (including secured bank borrowings, bank overdrafts and obligations under finance leases) divided by total equity, was 72.8% as compared to 88.7% as at 31 December 2020. Moreover, the net gearing ratio of the Group, which is equivalent to total interest-bearing debt (including secured bank borrowings, bank overdrafts and obligations under finance leases) net of total cash and bank balances divided by total equity, was 53.8% as compared to 66.7% as at 31 December 2020. The decrease in gearing ratio was primarily due to a decrease in bank borrowings for the Year while the decrease in net gearing ratio was primarily due to a decrease in bank borrowings as at 31 December 2021.

## **Capital Expenditure and Capital Commitments**

During the Year, the Group spent approximately HK\$37.9 million (including interest on bank borrowings of HK\$6.2 million capitalised as the cost of qualifying assets) on additions to fixed assets as compared to HK\$39.4 million (including interest on bank borrowings of HK\$10.6 million capitalised as the cost of qualifying assets) for the year ended 31 December 2020 mainly to maintain its manufacturing capabilities in Bangladesh. As at 31 December 2021, the Group had capital commitments of HK\$0.9 million in respect of property, plant and equipment (31 December 2020: HK\$1.0 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, 87.6% (2020: 88.1%) of the Group's revenue was denominated in U.S. dollar ("US\$"). The Group mainly operates in Bangladesh and the PRC and most of the Group's operating expenses are denominated in Bangladeshi Taka ("Taka") and Renminbi ("RMB").

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 2021, the Group did not have any material contingent liabilities.

## **Pledge of Assets**

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

- (a) pledge of the Group's bank deposits of approximately HK\$106.6 million (2020: HK\$122 million);
- (b) the Group's land and buildings and car parks in Hong Kong of approximately HK\$79.1 million (2020: HK\$85.9 million);
- (c) the Group's land and buildings in the PRC of approximately HK\$24.7 million (2020: nil);
- (d) negative pledge on the assets of certain subsidiaries in the PRC and Bangladesh; and
- (e) financial assets at FVTPL of the Group.

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2021, the Group employed a total of (i) 32,002 employees in Bangladesh, as compared to 26,699 as at 31 December 2020, (ii) 294 employees in China, as compared to 375 as at 31 December 2020, (iii) 58 employees in Hong Kong, as compared to 61 as at 31 December 2020, and (iv) 28 employees in Japan, the United States, Thailand and Ukraine, as compared to 26 as at 31 December 2020.

Total employee expenditures during the Year amounted to HK\$393.3 million as compared to HK\$297.2 million for the year ended 31 December 2020. The Group determines the remuneration of its employees based on prevailing market conditions, the relevant local laws and regulations regarding wage protection and the performance of the employees. Remuneration includes salary, bonuses and benefits. The remuneration packages of the employees are reviewed annually. The Group operates a defined contribution retirement scheme under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all qualified employees. Employees of the Group's factories in the PRC are members of a state-managed retirement benefit plan operated by the government of the PRC. For employees in Bangladesh, the Group is currently not subject to any compulsory social insurance contribution, but they are covered by a self-managed provident fund operated by the respective subsidiaries of the Group in Bangladesh. In addition, the Company has adopted the Share Option Scheme and the Share Award Scheme, details of which are set out in sub-sections headed "Share Option Scheme" and "Share Award Scheme" in this announcement.

### **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 2021, a total of 5,333,334 Shares, representing approximately 0.78% of the total issued Shares as at 31 December 2021, were granted by the Company to certain Directors, senior management and employees of the Company. 105,333 awarded Shares were vested in the name of selected employees under the Share Award Scheme in July 2021. During the Year, 355,333 awarded Shares were vested in the name of selected employees under the Share Award Scheme.

As at 30 November 2021, the Share Award Scheme were completed and terminated.

## **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**

There were no events after the reporting period that had significant impacts on the Group after 31 December 2021 and up to the date of this announcement.

## **OUTLOOK**

As a strong global economic recovery from the COVID-19 pandemic, the Group has been closely monitoring the market conditions and adjusting its business strategies and operations to minimize any negative impacts and strengthen our focus on our core business.

In the coming year, the Group will continue executing the financial performance improvement initiatives across our operations, reducing inventory turnover days, improving margins, optimising costs, lifting operational efficiency, right-sizing business units, and digitalising and equipping our business with some automation production machines.

## **ANNUAL GENERAL MEETING**

An annual general meeting (the “AGM”) of the Company is scheduled to be held on Friday, 6 May 2022, 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 HK1.1 cents per Share for the Year (2020: Nil) to the shareholders whose names appear on the register of members of the Company on Wednesday, 18 May 2022. Upon approval by the shareholders at the AGM, it is expected that the final dividend will be payable on Friday, 27 May 2022.

## **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 or any adjournment thereof, 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, 3 May 2022 to Friday, 6 May 2022, 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 Friday, 29 April 2022.

The record date for such purposes is Friday, 6 May 2022.

- (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 Friday, 13 May 2022 to Wednesday, 18 May 2022, 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 Thursday, 12 May 2022.

The record date for such purposes is Wednesday, 18 May 2022.

## **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 2021 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](http://www.hkexnews.hk)) and the Company ([www.epfhk.com](http://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, 28 March 2022

*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 Ziyang and Mr. Li Yanbo; the non-executive Director is Mr. Chan Lau Yui Kevin; and the independent non-executive Directors are Mr. Sin Hendrick, Mr. Szeto Yuk Ting, Ir. Cheung Siu Wa and Mr. Tseung Yuk Hei Kenneth.*