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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 INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

FINANCIAL HIGHLIGHTS

- Revenue for the Period amounted to HK\$479.2 million, representing a decrease of 11.6% from HK\$542.1 million for the corresponding period in 2022.
- Gross profit for the Period amounted to HK\$110.0 million, representing a decrease of 3.8% from HK\$114.4 million for the corresponding period in 2022.
- Net profit for the Period amounted to HK\$29.7 million, representing an increase of 26.7% from HK\$23.4 million for the corresponding period in 2022, primarily attributable to (1) the benefit from the devaluation of the Bangladeshi Taka against the United States dollar, (2) the cost control strategies paid off, and (3) the one-off realised gain on the disposal of Ukraine subsidiary.
- The Board has declared the payment of an interim dividend of HK\$4.2 cents per Share for the Period (30 June 2022: HK\$1.7 cents per Share).
- The interim dividend payout ratio is 97.0% for the Period (2022: Interim dividend payout ratio: 49.7%).

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Evergreen Products Group Limited (the “**Company**”) hereby announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”) together with comparative figures for the corresponding period in 2022 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Notes	Six months ended	
		30.6.2023 HK\$'000 (unaudited)	30.6.2022 HK\$'000 (unaudited)
Revenue	3	479,193	542,058
Cost of sales		<u>(369,190)</u>	<u>(427,696)</u>
Gross profit		110,003	114,362
Other income		2,899	2,693
Other gains and losses		2,611	(2,282)
Impairment losses recognised on trade receivables under expected credit loss model, net of reversal		(4)	(47)
Distribution and selling expenses		(11,441)	(8,781)
Administrative expenses		(60,901)	(70,754)
Other expenses		(372)	(119)
Gain on disposal of an investment in a subsidiary		4,414	–
Finance costs		<u>(16,870)</u>	<u>(11,584)</u>
Profit before tax		30,339	23,488
Income tax expense	4	<u>(638)</u>	<u>(41)</u>
Profit for the period	5	<u>29,701</u>	<u>23,447</u>
Other comprehensive (expense) income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Gain on revaluation of properties transferred to investment properties		–	7,340
Deferred tax arising from gain on revaluation of properties transferred to investment properties		<u>–</u>	<u>(1,835)</u>
		<u>–</u>	<u>5,505</u>

	<i>Notes</i>	Six months ended	
		30.6.2023 <i>HK\$'000</i> (unaudited)	30.6.2022 <i>HK\$'000</i> (unaudited)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(13,806)	(39,963)
Reclassification of cumulative reserve to profit and loss upon disposal of a subsidiary		1,272	–
Other comprehensive expense for the period, net of income tax		(12,534)	(34,458)
Total comprehensive income (expense) for the period		17,167	(11,011)
Profit (loss) for the period attributable to:			
Owners of the Company		31,621	26,846
Non-controlling interests		(1,920)	(3,399)
		29,701	23,447
Total comprehensive (expense) income attributable to:			
Owners of the Company		19,619	(6,188)
Non-controlling interests		(2,452)	(4,823)
		17,167	(11,011)
Earnings per share (<i>HK\$</i>)	7		
– basic		0.05	0.04
– diluted		N/A	N/A

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	<i>Notes</i>	30.6.2023 <i>HK\$'000</i> (unaudited)	31.12.2022 <i>HK\$'000</i> (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	8	594,247	618,712
Investment properties	8	11,660	12,143
Financial assets at fair value through profit or loss		44,713	42,672
Non-current deposits	9	5,112	5,138
		<hr/> 655,732	<hr/> 678,665
CURRENT ASSETS			
Inventories		442,282	476,030
Trade and other receivables	9	289,884	234,558
Tax recoverable		3,730	1,545
Pledged bank deposits		95,725	91,852
Cash and cash equivalents		99,267	78,612
		<hr/> 930,888	<hr/> 882,597
Assets classified as held for sale		<hr/> –	<hr/> 9,311
		930,888	891,908
CURRENT LIABILITIES			
Trade and other payables	10	113,168	87,649
Contract liabilities		12,898	7,100
Amount due to a related company		6,550	10,750
Amount due to a non-controlling shareholder of a subsidiary		13,031	12,093
Tax payable		8,053	7,511
Secured bank and other borrowings	11	498,736	507,732
Bank overdrafts	11	11,570	18,491
Lease liabilities		1,921	1,424
		<hr/> 665,927	<hr/> 652,750
NET CURRENT ASSETS			
		<hr/> 264,961	<hr/> 239,158
		<hr/> 920,693	<hr/> 917,823

		30.6.2023	31.12.2022
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(audited)
CAPITAL AND RESERVES			
Share capital		53,377	53,377
Reserves		837,266	844,304
Amount recognised in other comprehensive income and accumulated in equity relating to assets classified as held for sales		–	(1,272)
Equity attributable to owners of the Company		890,643	896,409
Non-controlling interests		(10,773)	(8,321)
TOTAL EQUITY		879,870	888,088
NON-CURRENT LIABILITIES			
Deferred tax liabilities		7,217	7,480
Lease liabilities		8,591	8,224
Secured bank and other borrowings	11	25,015	14,031
		40,823	29,735
		920,693	917,823

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” 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 2023 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2022.

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 Group’s annual period beginning on 1 January 2023 for the preparation of the Group’s condensed consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to IFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The application of the amendments to HKFRSs in the current reporting 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.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and performance assessment focuses on revenue analysis by products including wigs, hair accessories and others, high-end human hair extensions and Halloween products. No other discrete financial information is provided other than the profit for the period of the Group as a whole. Accordingly, no further segment information is disclosed.

Disaggregation of revenue from contracts with customers

Group revenue by products

	Six months ended	
	30.6.2023 <i>HK\$'000</i> (unaudited)	30.6.2022 <i>HK\$'000</i> (unaudited)
Wigs, hair accessories and others	394,009	420,271
High-end human hair extensions	54,213	86,222
Halloween products	30,971	35,565
	<u>479,193</u>	<u>542,058</u>

Group revenue by location of delivery to customers

	Six months ended	
	30.6.2023 <i>HK\$'000</i> (unaudited)	30.6.2022 <i>HK\$'000</i> (unaudited)
United States of America	429,571	478,683
Germany	22,008	20,194
United Kingdom	10,146	5,198
Japan	7,544	13,336
The People's Republic of China (“the PRC”)	6,480	13,756
Others	3,444	10,891
	<u>479,193</u>	<u>542,058</u>

All revenue is recognised at a point of time.

4. INCOME TAX EXPENSE

	Six months ended	
	30.6.2023 <i>HK\$'000</i> (unaudited)	30.6.2022 <i>HK\$'000</i> (unaudited)
The taxation charge comprises:		
Current tax:		
Hong Kong	–	–
Bangladesh	552	1,162
The PRC Enterprise Income Tax (“EIT”)	–	15
Other jurisdictions	70	79
	<u>622</u>	<u>1,256</u>
Over-provision in prior year:		
Hong Kong	–	(739)
Other jurisdictions	76	–
	<u>698</u>	<u>517</u>
Deferred tax:		
Current period	(60)	(476)
	<u>638</u>	<u>41</u>

5. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting) the following items:

	Six months ended	
	30.6.2023 <i>HK\$'000</i> (unaudited)	30.6.2022 <i>HK\$'000</i> (unaudited)
Depreciation of property, plant and equipment	24,184	25,415
Capitalised in inventories	(17,197)	(19,150)
	<u>6,987</u>	<u>6,265</u>
Interest income	(929)	(73)
Government grants (included in other income) (<i>Note</i>)	–	(1,055)
	<u>–</u>	<u>(1,055)</u>

Note: During the six months ended 30 June 2022, included in government grants and an amount of HK\$960,000 in respect of COVID-19-related subsidies in relation to employment support scheme provided by the Hong Kong government.

6. DIVIDENDS

During the six months ended 30 June 2023, a final dividend of HK\$3.7 cents per share (2022: HK\$1.1 cents per share in respect of the year ended 31 December 2021) in respect of the year ended 31 December 2022 was declared and paid to the owners of the Company. The aggregate amount of the final dividend declared in the prior interim period amounted to approximately HK\$25,385,000 (2022: HK\$7,547,000).

Subsequent to the end of the current interim period, the directors of the Group have determined that an interim dividend of HK\$4.2 cents per share amounting to HK\$28,815,000 in aggregate will be paid to owners of the Company whose names appear on the register of members of the Company on 15 September 2023.

7. 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	
	30.6.2023	30.6.2022
	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	31,621	26,846

	Six months ended	
	30.6.2023	30.6.2022
	'000	'000
	(unaudited)	(unaudited)
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	686,082	686,082

No diluted earnings per share is presented for the six months ended 30 June 2023 and 2022 as there were no potential ordinary shares in issue for the six months ended 30 June 2023 and 2022.

8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 June 2023, the Group acquired certain property, plant and equipment of HK\$13,853,000 (for the six months ended 30 June 2022: HK\$18,699,000).

In the opinion of the directors of the Company, the respective carrying amounts of the Group's industrial buildings, offices and car parks 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 nor deficit has been recognised in the interim periods ended 30 June 2023 and 2022.

During the six months ended 30 June 2023, the Group entered into a new lease agreement with lease term of 2 years and lease renewal agreement with additional lease term of 9 months to 5 years (for the six months ended 30 June 2022: entered into a new lease agreement with lease term of 3 years). The Group is required to make fixed monthly payments during the contract period. On lease commencement, or effective date of lease modification, the Group recognised right-of-use assets of HK\$1,624,000 (for the six months ended 30 June 2022: HK\$595,000) and lease liabilities of HK\$1,624,000 (for the six months ended 30 June 2022: HK\$595,000).

During the six months ended 30 June 2022, the Group leased out certain properties with lease terms of 1 to 6 years to earn rentals. Accordingly, leasehold land and buildings of HK\$2,988,000 and its relevant leasehold land classified as right-of-use assets of HK\$2,321,000 were revalued to the fair value of HK\$12,143,000 and transferred to investment properties. The gain on revaluation of properties at the date of transfer is accumulated in property revaluation reserve.

9. TRADE AND OTHER RECEIVABLES

	30.6.2023 <i>HK\$'000</i> (unaudited)	31.12.2022 <i>HK\$'000</i> (audited)
Trade receivables		
– contracts with customers	223,753	195,639
Less: allowance for credit loss	(156)	(151)
	223,597	195,488
Other receivables	25,212	22,152
Consideration receivable	14,497	–
Other tax receivables	5,690	3,312
Prepayments	6,133	7,763
Deposits paid to suppliers	14,755	5,843
Deposits for acquisition of property, plant and equipment	4,188	4,231
Property rental deposits	924	907
	294,996	239,696
Analysis for reporting purpose as:		
Non-current assets	5,112	5,138
Current assets	289,884	234,558
	294,996	239,696

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.

	30.6.2023 <i>HK\$'000</i> (unaudited)	31.12.2022 <i>HK\$'000</i> (audited)
0 – 60 days	175,870	134,966
61 – 90 days	30,079	36,769
91 – 120 days	10,535	16,326
Over 120 days	7,113	7,427
	223,597	195,488

10. TRADE AND OTHER PAYABLES

	30.6.2023 <i>HK\$'000</i> (unaudited)	31.12.2022 <i>HK\$'000</i> (audited)
Trade payables	61,684	35,380
Accrued staff costs	25,384	23,953
Accruals and other payables	8,030	9,991
Other employee benefits	18,070	18,325
	113,168	87,649

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

	30.6.2023 <i>HK\$'000</i> (unaudited)	31.12.2022 <i>HK\$'000</i> (audited)
0–60 days	28,440	35,380
61–120 days	2	–
Over 120 days (<i>Note</i>)	33,242	–
	61,684	35,380

Note: During the six months ended 30 June 2023, certain suppliers have initiated lawsuits against Evergreen Products Factory (YZ) Co., Ltd, a wholly-owned subsidiary of the Company in the PRC (the “**Subsidiary**”) to demand immediate settlement of trade payables with a carrying amount of HK\$33,242,000 plus interest for late payment. On 6 June 2023, 12 July 2023 and 8 August 2023, the decision of the second-trial instance of the People’s Court was made and the Subsidiary were required to pay the outstanding trade payables in the amount of HK\$14,834,000 and the related interest. The management are in the process of negotiation with the corresponding suppliers to settle these amounts out of court. In the opinion of the directors of the Company who based on the legal opinion, the possibility of an additional outflow of economic resources is remote. Hence, no further accrual of potential interest or other penalties was made.

11. SECURED BANK AND OTHER BORROWINGS/BANK OVERDRAFTS

	30.6.2023 <i>HK\$'000</i> (unaudited)	31.12.2022 <i>HK\$'000</i> (audited)
Bank overdrafts	11,570	18,491
Bank borrowings	454,658	459,637
Bank borrowings under supplier financing arrangement	41,418	44,671
Other borrowing	27,675	17,455
	<u>535,321</u>	<u>540,254</u>

The Group's bank borrowings arranged at floating rates are with average effective interest rates ranging from 3.85% to 8.99% (31 December 2022: 4.30% to 8.77%) per annum. The bank borrowings arranged at fixed rate are ranging from 0.90% to 4.50% (31 December 2022: ranging from 1.19% to 4.25%) per annum.

The other borrowing carries interest at HIBOR plus 1.5% (31 December 2022: LIBOR plus 2.75% and HIBOR plus 1.5%) per annum and was secured by the Group's bank deposits of approximately HK\$6,500,000 (31 December 2022: HK\$6,668,000).

As at 30 June 2023 and 31 December 2022, the Group's banking borrowing facilities were secured by:

- (a) pledge of the Group's bank deposits of approximately HK\$89,225,000 (31 December 2022: HK\$85,184,000);
- (b) leasehold land, buildings and carparks in Hong Kong of approximately HK\$88,000,000 (31 December 2022: HK\$89,394,000);
- (c) the Group's land and buildings of approximately HK\$25,290,000; (31 December 2022: HK\$28,400,000);
- (d) investment properties in the PRC of approximately HK\$8,544,000 (31 December 2022: HK\$9,251,000);
- (e) negative pledge on the assets of certain subsidiaries in the PRC and Bangladesh; and
- (f) certain life insurance contracts (classified as financial assets at fair value through profit and loss of the Group).

Loan covenants

The Group is required to comply with the financial covenants throughout the continuance of the relevant borrowings and/or as long as the borrowings is outstanding with a carrying amount of HK\$418,397,000 as at 30 June 2023 (31 December 2022: HK\$264,338,000). The Group has complied with these covenants throughout the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global economic growth has slowed down amid the persistently high energy and food prices. The consumer purchasing power on hair products has decreased and customers have shifted to hair products of lower prices. In the current complex and changeable environment, the Group has enhanced the operation and management efforts and dispatched research and development technicians to increase the cooperative relationship with the key customers and greatly adjusted the products mix and production capacities, ensuring the process of group production and operation to be effective and efficient. The revenue of the Group amounted to HK\$479.2 million for the Period, representing a decrease of approximately 11.6% for the corresponding period in 2022. The sales of braid and special braid products with low margin gradually increased but were offset by a slowdown in the sales of lace wigs and closures and human hair extension products with high margin during the Period. Gross profit margin continuously improved to 23.0%, which was continuously supported by the devaluation of the Bangladeshi Taka against the United States dollar and adoption of the cost control strategies paid off which streamlined the process of production and operation. Net profit margin increased to 6.2% when compared to 4.3% for the corresponding period ended 30 June 2022, which is mainly a result of the one-off realised gain on the disposal of the Ukraine subsidiary.

OUTLOOK

The Group will continue to enlarge the sales team to explore new market opportunities but also develop the direct sales channels to end customers, aiming to expand its customer base, achieve a more balanced and healthy market layout, and enhance its risk resistance. The Group has continuously made all efforts to improve the bank loan portfolio to reinforce the balance sheet and the cost-control to further increase the profitability the soonest possible and enhance the liquidity. The Board believes that the Group has managed the complex and changeable business environment and predicts that the market demand for hair products will gradually stabilise towards the end of this year. The Group will continue to focus on its core business, closely monitor the latest development of the industry and adjust its strategies to provide the best interest to the shareholders of the Company in the medium to longer term.

FINANCIAL REVIEW

During the Period, the Group's financial results primarily raised compared with the same period in 2022, mainly due to the benefit from the devaluation of the Bangladeshi Taka against the United States dollar, the cost control strategies paid off and the one-off realised gain on the disposal of Ukraine subsidiary.

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\$479.2 million, representing a decrease of HK\$62.9 million, or 11.6%, as compared to HK\$542.1 million for the corresponding period in 2022. The decrease was primarily due to the fact that the market demand of the braid products with low margin gradually restored but was offset by the slowdown in sale of lace wigs and closure and human hair products with high margin. During the Period, the revenue generated from hair goods made at the Bangladesh factory accounted for 98.6% of the Group's total revenue as compared to 97.4% for the corresponding period in 2022.

The United States remained as the Group's principal market during the Period with revenue contribution accounting for 89.6% of the Group's total revenue during the Period as compared to 88.3% for the corresponding period in 2022. In terms of product segment, wigs, hair accessories and others remained as the Group's key product segment accounting for 82.2% of its total revenue during the Period as compared to 77.5% for the corresponding period in 2022.

Wigs, hair accessories and others. Revenue for wigs, hair accessories and others decreased by HK\$26.3 million, or 6.3%, from HK\$420.3 million for the six months ended 30 June 2022 to HK\$394.0 million for the Period. The decrease was primarily due to a drop in sales of lace wig items which was one of the popular products. However, the sales of braid and special braid increased, which offset the drop in the sales of lace wig items.

High-end human hair extensions. Revenue for high-end human hair extensions decreased by HK\$32.0 million, or 37.1%, from HK\$86.2 million for the six months ended 30 June 2022 to HK\$54.2 million for the Period, primarily due to a decrease in sales volume of human hair products for which the market demand shifted to braid products with low margin due to a decrease in the consumer purchasing power.

Halloween products. Revenue for Halloween products decreased by HK\$4.6 million, or 12.9%, from HK\$35.6 million for the six months ended 30 June 2022 to HK\$31.0 million for the Period, primarily due to a decrease in sales volume due to more conservative customers' orders due to a decrease in the consumer purchasing power.

Cost of Goods Sold

The Group's cost of goods sold decreased by HK\$58.5 million, or 13.7%, from HK\$427.7 million for the six months ended 30 June 2022 to HK\$369.2 million for the Period, primarily due to a decrease in direct labour cost by streamlining the production process during the Period.

Wigs, hair accessories and others. Cost of goods sold for wigs, hair accessories and others decreased by HK\$25.5 million, or 7.6%, from HK\$337.5 million for the six months ended 30 June 2022 to HK\$312.0 million for the Period, corresponding with a decrease in direct labour cost by streamlining the production process during the Period.

High-end human hair extensions. Cost of goods sold for high-end human hair extensions decreased by HK\$28.1 million, or 43.2%, from HK\$65.0 million for the six months ended 30 June 2022 to HK\$36.8 million for the Period. The decrease was in line with the decrease in revenue from high-end human hair extensions products during the Period.

Halloween products. Cost of goods sold for Halloween products decreased by HK\$4.8 million, or 19.1%, from HK\$25.1 million for the six months ended 30 June 2022 to HK\$20.3 million for the Period. The decrease was in line with the decrease in revenue from Halloween products during the Period.

Gross Profit

During the Period, the Group's gross profit amounted to HK\$110.0 million, representing a decrease of HK\$4.4 million, or 3.8%, as compared to HK\$114.4 million for the corresponding period in 2022. The gross profit remained stable primarily due to a decrease in direct labour cost by streamlining the production process, while offset with a drop in sales during the Period. During the Period, the Group's gross profit margin was 23.0%, representing an increase of 1.9% from 21.1% for the corresponding period in 2022.

Wigs, hair accessories and others. Gross profit for wigs, hair accessories and others decreased by HK\$0.8 million, or 1.0%, from HK\$82.8 million for the six months ended 30 June 2022 to HK\$82.0 million for the Period. Gross profit margin for wigs, hair accessories and others increased from 19.7% for the six months ended 30 June 2022 to 20.8% for the Period, primarily due to a decrease in total production overheads for the Period.

High-end human hair extensions. Gross profit for high-end human hair extensions decreased by HK\$3.8 million, or 17.9%, from HK\$21.2 million for the six months ended 30 June 2022 to HK\$17.4 million for the Period. Gross profit margin for high-end human hair extensions increased from 24.6% for the six months ended 30 June 2022 to 32.0% for the Period, primarily due to a decrease in total production costs of Human hair extension products during the Period.

Halloween products. Gross profit for Halloween products increased by HK\$0.3 million, or 2.9%, from HK\$10.4 million for the six months ended 30 June 2022 to HK\$10.7 million for the Period. Gross profit margin for Halloween products increased from 29.2% for the six months ended 30 June 2022 to 34.4% for the Period, primarily due to a decrease in total production costs of Halloween products during the Period.

Other Income

Other income increased by HK\$0.2 million, or 7.6%, from HK\$2.7 million for the six months ended 30 June 2022 to HK\$2.9 million for the Period, primarily due to an increase in bank interest income and rental income during the Period.

Other Gains and Losses

Other gains and losses increased by HK\$4.9 million, or 214.4%, from losses of HK\$2.3 million for the six months ended 30 June 2022 to gain of HK\$2.6 million for the Period. The other gains and losses primarily comprised a loss amounting to HK\$0.2 million from the fair value change of the financial assets at fair value through profit and loss and HK\$2.8 million from the foreign currency conversion during the Period.

Impairment Losses under Expected Credit Loss Model

During the Period, the Group provided approximately HK\$0.1 million of an impairment allowance in respect of trade receivables (2022: The Group provided HK\$0.1 million).

Distribution and Selling Expenses

Distribution and selling expenses increased by HK\$2.6 million, or 29.5%, from HK\$8.8 million for the six months ended 30 June 2022 to HK\$11.4 million for the Period, primarily due to an increase in shipping expenses and advertising expenses during the Period.

Administrative Expenses

Administrative expenses decreased by HK\$9.9 million, or 14.0%, from HK\$70.8 million for the six months ended 30 June 2022 to HK\$60.9 million for the Period, primarily due to a decrease in salaries and staff benefit (including director's remuneration) due to the reduction on the bonus payment.

Other Expenses

Other expenses increased by HK\$0.3 million, or 300%, from HK\$0.1 million for the six months ended 30 June 2022 to HK\$0.4 million for the Period, primarily due to an increase in donation made during the Period.

Gain on Disposal of an Investment in a Subsidiary

On 19 August 2022, the Group entered into a sale and purchase agreement with an independent third party, pursuant to which the Group agreed to sell its entire equity interest in its wholly-owned subsidiary, Evergreen Ukraine Investment Limited, which held an office building in Ukraine, at a cash consideration of HK\$10.0 million and assignment of shareholder's loan of HK\$5.0 million as at the date of the completion of disposal. The disposal was completed on 30 April 2023 in which the Group lost control of Evergreen Ukraine Investment Limited. The transaction has resulted in the Group recognising a gain of HK\$4.4 million.

Finance Costs

Finance costs increased by HK\$5.3 million, or 45.7%, from HK\$11.6 million for the six months ended 30 June 2022 to HK\$16.9 million during the Period, it was mainly due to an increase in the interest rate.

Taxation

Income tax expenses of the Group increased by approximately HK\$0.6 million, or 1,456%, from a taxation of HK\$0.1 million for the six months ended 30 June 2022 to a taxation of approximately HK\$0.6 million for the Period, primarily due to the expiring tax holiday for income tax in Bangladesh. Income tax expense included a reversal of deferred taxation in the amount of HK\$0.1 million for the Period (2022: included a reversal of deferred taxation in the amount of HK\$0.5 million).

Net Profit

The Group's net profit for the Period was HK\$29.7 million, representing an increase of HK\$6.3 million, or 26.9%, as compared to HK\$23.4 million for the corresponding period in 2022, which was primarily attributable to the benefit from the devaluation of the Bangladeshi Taka against the United States dollar, the one-off realised gain on the disposal of Ukraine subsidiary and the cost control strategies paid off.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's bank balances, pledged bank deposits and cash increased by 14.7% from HK\$170.0 million as at 31 December 2022 to HK\$195.0 million as at 30 June 2023. The increase in cash and bank balances for the Period was primarily due to an increase in the usage of the bank borrowings during the Period.

The Group's trade and other receivables increased by 23.6% from HK\$234.6 million as at 31 December 2022 to HK\$289.9 million as at 30 June 2023. The increase was primarily due to an increase in trade receivables as the customer resume to normal settlement date.

Borrowings and Gearing Ratio

As at 30 June 2023, the Group's banking facilities amounted to HK\$813.0 million, of which HK\$190.7 million remained unutilised. As at 30 June 2023, the gearing ratio of the Group, which is equivalent to total interest-bearing debt (including secured bank borrowings and lease liabilities) divided by total equity, was 62.0% as compared to 61.9% as at 31 December 2022. The Group considered that it has sufficient financial resources to meet its commitments and working capital requirements.

Capital Expenditure and Capital Commitments

During the Period, the Group spent approximately HK\$13.9 million on additions to fixed assets as compared to HK\$18.7 million for the corresponding period in 2022, mainly to maintain its manufacturing capabilities in Bangladesh. As at 30 June 2023, the Group had capital commitments of HK\$2.2 million in respect of property, plant and equipment (31 December 2022: HK\$0.6 million).

Foreign Exchange Risk

The Group has sales and purchases denominated in foreign currencies, such as the United States 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 the United States dollars. With the increase of the production of the Group in Bangladesh (revenue contributed by the Bangladesh factory having slightly rose to 98.6% during the Period (30 June 2022: 97.4%)) and the United States dollars being the main foreign currency used in the operations in Bangladesh and Hong Kong, the use of the United States 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 the United States 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 did not have any outstanding foreign currency forward contracts to buy the United States dollars to hedge against any fluctuation in the exchange rate of the United States dollars.

Contingent Liabilities

As at 30 June 2023, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 30 June 2023, the Group's banking borrowing facilities were secured by:

- (a) pledge of the Group's bank deposits of approximately HK\$89.2 million (31 December 2022: HK\$85.2 million);
- (b) leasehold land and buildings and car parks in Hong Kong of approximately HK\$88.0 million (31 December 2022: HK\$89.4 million);
- (c) the Group's land and buildings of approximately HK\$25.3 million (31 December 2022: HK\$28.4 million);
- (d) investment properties in the PRC of approximately HK\$8.5 million (31 December 2022: HK\$9.3 million);
- (e) negative pledge on the assets of certain subsidiaries in the PRC and Bangladesh; and
- (f) certain life insurance contracts classified as financial assets at fair value through profit and loss of the Group.

As at 30 June 2023, the Group's other borrowing was secured by the Group's bank deposits of approximately HK\$6.5 million (31 December 2022: HK\$6.7 million).

Employees and Remuneration Policies

As at 30 June 2023, the Group employed a total of 24,454 employees, as compared to 30,391 employees as at 30 June 2022.

Total employee expenditures during the Period amounted to HK\$151.9 million as compared to HK\$208.8 million for the corresponding period in 2022. 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.

On 11 December 2017, the Company adopted the Share Award Scheme. The Share Award Scheme was completed and terminated as at 30 November 2021.

OTHERS

On 17 May 2023, Evergreen Products Factory (YZ) Co. Ltd. a wholly-owned subsidiary of the Company in the PRC (“**the Subsidiary**”) received a Notification of Proceeding served by the Court in relation to a contractual dispute in ordinary businesses with a supplier, in the amount of approximately HK\$18 million. The legal proceeding is still on-going as at the date of this announcement. The management of the Subsidiary is continuing to negotiate with the supplier to settle these amounts out of court.

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 ordinary shares of the Company (the “**Shares**”).

As at 30 June 2023, no option has been granted or agreed to be granted under the share option scheme.

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 Period; and (ii) no plans have been authorised by the Board for any material investments or additions of capital assets as at 30 June 2023.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK\$4.2 cent per Share for the Period (30 June 2022: HK\$1.7 cent per share of an interim dividend declared), totally approximately HK\$28.8 million based on a total of 686,082,000 Shares in issue as at the date of this announcement.

The interim dividend payout ratio is 97.0% for the Period (2022: interim dividend payout ratio: 49.7%).

The interim dividend will be payable on Thursday, 21 September 2023 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 15 September 2023.

CLOSURE OF REGISTER OF MEMBERS

For determining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Wednesday, 13 September 2023 to Friday, 15 September 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration not later than 4:30 p.m. on Tuesday, 12 September 2023.

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.

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 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 C.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 C.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.

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.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.epfhk.com). The interim report of the Company for the Period 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, 24 August 2023

As at the date of this announcement, the executive Directors are Mr. Chang Yoe Chong Felix, Mr. Chan Kwok Keung, Ms. Jia Ziying and Mr. Li Yanbo; the non-executive Director is Mr. Chan Lau Yui Kevin; and the independent non-executive Directors are Mr. Sin Hendrick M.H., Mr. Szeto Yuk Ting and Ir. Cheung Siu Wa.