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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 2024

FINANCIAL HIGHLIGHTS

- Revenue for the Period amounted to HK\$525.2 million, representing an increase of 9.6% from HK\$479.2 million for the corresponding period in 2023.
- Gross profit for the Period amounted to HK\$117.6 million, representing an increase of 6.9% from HK\$110.0 million for the corresponding period in 2023.
- Net profit for the Period amounted to HK\$23.9 million, representing a decrease of 19.6% from HK\$29.7 million for the corresponding period in 2023, primarily attributable to the increase in the finance cost due to the continuous high interest rate, the increase in the start-up cost and on-going expense of the new hairstyling business, and the increase in the income tax and deferred tax expense due to the expiry of tax holiday of income tax in Bangladesh.
- The Board has declared the payment of an interim dividend of HK\$3.0 cents per Share for the Period (30 June 2023: HK\$4.2 cents per Share).
- The interim dividend payout ratio is 83.6% for the Period (2023: interim dividend payout ratio: 97.0%).

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 2024 (the “**Period**”) together with comparative figures for the corresponding period in 2023 as set out below:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended	
		30.6.2024	30.6.2023
		HK\$'000	HK\$'000
	Notes	(unaudited)	(unaudited)
Revenue	3	525,178	479,193
Cost of sales		(407,551)	(369,190)
Gross profit		117,627	110,003
Other income		4,080	2,899
Other gains and losses		2,922	2,611
Impairment losses recognised on trade receivables under expected credit loss model, net of reversal		(7)	(4)
Distribution and selling expenses		(13,194)	(11,441)
Administrative expenses		(61,508)	(60,901)
Other expenses		(164)	(372)
Finance costs		(21,528)	(16,870)
Gain on disposal of an investment in a subsidiary		—	4,414
Profit before tax		28,228	30,339
Income tax expense	4	(4,346)	(638)
Profit for the period	5	23,882	29,701
Other comprehensive (expense) income:			
<i>Items that will not be reclassified to profit or loss:</i>			
Deficit on revaluation of properties		(2,731)	—

		Six months ended	
		30.6.2024	30.6.2023
		HK\$'000	HK\$'000
<i>Notes</i>		(unaudited)	(unaudited)
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising from translation of foreign operations		(21,347)	(13,806)
Reclassification of cumulative reserve to profit and loss upon disposal of a subsidiary		<u>–</u>	<u>1,272</u>
Other comprehensive expense for the period, net of income tax		<u>(21,347)</u>	<u>(12,534)</u>
		<u>(24,078)</u>	<u>(12,534)</u>
Total comprehensive (expense) income for the period		<u>(196)</u>	<u>17,167</u>
Profit (loss) for the period attributable to:			
Owners of the Company		24,882	31,621
Non-controlling interests		<u>(1,000)</u>	<u>(1,920)</u>
		<u>23,882</u>	<u>29,701</u>
Total comprehensive (expense) income attributable to:			
Owners of the Company		1,058	19,619
Non-controlling interests		<u>(1,254)</u>	<u>(2,452)</u>
		<u>(196)</u>	<u>17,167</u>
Earnings per share (HK\$)	7		
– basic		0.04	0.05
– diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

		30.6.2024 HK\$'000 (unaudited)	31.12.2023 HK\$'000 (audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	8	546,467	580,600
Investment properties	8	14,582	15,043
Financial assets at fair value through profit or loss		44,137	43,800
Non-current deposits	9	17,621	7,553
		<u>622,807</u>	<u>646,996</u>
CURRENT ASSETS			
Inventories		496,276	521,359
Trade and other receivables	9	271,934	274,262
Tax recoverable		8,074	4,782
Pledged bank deposits		91,673	93,584
Cash and cash equivalents		103,974	90,583
		<u>971,931</u>	<u>984,570</u>
CURRENT LIABILITIES			
Trade and other payables	10	119,017	131,629
Contract liabilities		9,155	10,832
Amount due to a related company		2,350	6,150
Amount due to a non-controlling shareholder of a subsidiary		2,416	2,376
Tax payable		12,264	12,660
Secured bank and other borrowings	11	572,372	568,563
Lease liabilities		1,544	1,844
		<u>719,118</u>	<u>734,054</u>
NET CURRENT ASSETS		<u>252,813</u>	<u>250,516</u>
		<u>875,620</u>	<u>897,512</u>

		30.6.2024	31.12.2023
		HK\$'000	HK\$'000
	<i>Notes</i>	(unaudited)	(audited)
CAPITAL AND RESERVES			
Share capital		51,010	51,010
Reserves		782,660	800,616
		<hr/>	<hr/>
Equity attributable to owners of the Company		833,670	851,626
Non-controlling interests		(7,780)	(6,526)
		<hr/>	<hr/>
TOTAL EQUITY		825,890	845,100
		<hr/>	<hr/>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		8,986	7,817
Secured bank and other borrowings	11	31,939	35,172
Lease liabilities		8,805	9,423
		<hr/>	<hr/>
		49,730	52,412
		<hr/>	<hr/>
		875,620	897,512
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

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 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, 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.

2.1 Impacts of Amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements

The Group will apply amendments to HKAS 7 and HKFRS 7 Supplier Finance Arrangements which are mandatorily effective for the Group’s annual period beginning on 1 January 2024 for the preparation of the Group’s consolidated financial statements for the year ending 31 December 2024.

The amendments add a disclosure objective to HKAS 7 Statement of Cash Flows stating that an entity is required to disclose information about its supplier finance arrangements that enables users of financial statements to assess the effects of those arrangements on the entity’s liabilities and cash flows. In addition, HKFRS 7 Financial Instruments: Disclosures was amended to add supplier finance arrangements as an example within the requirements to disclose information about an entity’s exposure to concentration of liquidity risk.

The application of the amendments is expected to affect the disclosures of the Group’s liabilities, cash flows and the Group’s exposure to liquidity risk related to the supplier finance arrangements entered into by the Group in the annual consolidated financial statements for the year ending 31 December 2024.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being the chief operating decision maker, 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	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Wigs, hair accessories and others	441,842	394,009
High-end human hair extensions	65,055	54,213
Halloween products	18,281	30,971
	<u>525,178</u>	<u>479,193</u>

Group revenue by location of delivery to customers

	Six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
United States of America	483,924	429,571
Germany	15,215	22,008
United Kingdom	11,046	10,146
Japan	3,342	7,544
The People's Republic of China ("the PRC")	5,368	6,480
Others	6,283	3,444
	<u>525,178</u>	<u>479,193</u>

All revenue is recognised at a point of time.

4. INCOME TAX EXPENSE

	Six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The taxation charge comprises:		
Current tax:		
Bangladesh	916	552
Other jurisdictions	81	70
	<u>997</u>	<u>622</u>
Under provision in prior year:		
Other jurisdictions	1,753	76
	<u>2,750</u>	<u>698</u>
Deferred tax:		
Current period	1,596	(60)
	<u>4,346</u>	<u>638</u>

5. PROFIT FOR THE PERIOD

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

	Six months ended	
	30.6.2024	30.6.2023
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	<u>19,443</u>	<u>24,184</u>
Interest income	(1,383)	(929)
Government grants (included in other income) (<i>Note</i>)	<u>(205)</u>	<u>–</u>

Note: During the six months ended 30 June 2024, government grants represent subsidies under the Technology Voucher Programme under the Innovation and Technology Fund provided by the Hong Kong government.

6. DIVIDENDS

During the six months ended 30 June 2024, a final dividend of HK\$2.9 cents per share (2023: HK\$3.7 cents per share in respect of the year ended 31 December 2022) in respect of the year ended 31 December 2023 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\$19,014,000 (2023: HK\$25,385,000).

Subsequent to the end of the current interim period, the directors of the Group have determined that an interim dividend of HK\$3.0 cents per share amounting to HK\$19,670,000 in aggregate will be paid to owners of the Company whose names appear on the register of members of the Company on 13 September 2024.

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	
	30.6.2024	30.6.2023
	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	24,882	31,621

	Six months ended	
	30.6.2024	30.6.2023
	'000	'000
	(unaudited)	(unaudited)

Number of shares:

Weighted average number of ordinary shares for the purpose of
basic and diluted earnings per share

655,652	686,082
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No diluted earnings per share is presented for the six months ended 30 June 2024 and 2023 as there were no potential ordinary shares in issue for the six months ended 30 June 2024 and 2023.

8. PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

During the six months ended 30 June 2024, the Group acquired certain property, plant and equipment of HK\$13,260,000 (for the six months ended 30 June 2023: HK\$13,853,000).

During the interim period ended 30 June 2024, a revaluation deficit of HK\$2,731,000 has been recognised in relation to the Group's industrial buildings, offices and car parks that are carried at revalued amounts while no revaluation surplus or deficit has been recognised in the interim period ended 30 June 2023 because the revalued amounts do not differ significantly from their respective estimated fair values.

During the six months ended 30 June 2024, 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 2023: 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\$216,000 (for the six months ended 30 June 2023: HK\$1,624,000) and lease liabilities of HK\$216,000 (for the six months ended 30 June 2023: HK\$1,624,000).

9. TRADE AND OTHER RECEIVABLES

	30.6.2024 HK\$'000 (unaudited)	31.12.2023 <i>HK\$'000</i> (audited)
Trade receivables		
– contracts with customers	226,991	215,131
Less: allowance for credit loss	(212)	(205)
	226,779	214,926
Other receivables	19,201	21,840
Consideration receivable	8,497	11,997
Other tax receivables	7,245	6,847
Prepayments	5,206	6,881
Deposits paid to suppliers	5,006	11,771
Deposits for acquisition of subsidiaries (<i>Note</i>)	10,000	–
Deposits for acquisition of property, plant and equipment	6,854	6,542
Property rental deposits	767	1,011
	289,555	281,815
Analysis for reporting purpose as:		
Non-current assets	17,621	7,553
Current assets	271,934	274,262
	289,555	281,815

Note: In June 2024, the Group has entered into two sales and purchase agreements to acquire 80% equity interests in two companies for aggregate considerations of HK\$10,000,000. Refundable deposits amounting to HK\$10,000,000 has been paid to the respective vendors. As at the date of approval of these condensed consolidated financial statements, the acquisitions have not been completed.

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.

	30.6.2024 HK\$'000 (unaudited)	31.12.2023 HK\$'000 (audited)
0 – 60 days	159,614	150,053
61 – 90 days	43,427	46,294
91 – 120 days	10,792	10,888
Over 120 days	12,946	7,691
	<u>226,779</u>	<u>214,926</u>

10. TRADE AND OTHER PAYABLES

	30.6.2024 HK\$'000 (unaudited)	31.12.2023 HK\$'000 (audited)
Trade payables	56,933	73,729
Accrued staff costs	32,229	32,671
Accruals and other payables	13,151	7,837
Other employee benefits	16,704	17,392
	<u>119,017</u>	<u>131,629</u>

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

	30.6.2024 HK\$'000 (unaudited)	31.12.2023 HK\$'000 (audited)
0–60 days	26,195	39,934
61–120 days	40	2
Over 120 days (<i>Note</i>)	30,698	33,793
	<u>56,933</u>	<u>73,729</u>

Note: During the year ended 31 December 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\$33,793,000 plus interest for late payment. The decision of the second-trial instance of the People’s Court in the PRC was made during the year ended 31 December 2023 and the Subsidiary were required to pay all the outstanding trade payables and the related interest of HK\$1,707,000 and certain right-of-use assets with a carrying amount of HK\$4,537,000, and other property, plant and equipment with a carrying amount of HK\$2,226,000 were frozen. The management are in the process of negotiation with the corresponding suppliers to settle these amounts out of court. Based on legal opinion, the directors of the Company opine that 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

	30.6.2024 <i>HK\$'000</i> (unaudited)	31.12.2023 <i>HK\$'000</i> (audited)
Secured:		
Bank overdrafts	665	–
Bank borrowings	502,937	454,243
Bank borrowings under supplier financing arrangement	89,467	130,034
Other borrowing	11,242	19,458
	<u>604,311</u>	<u>603,735</u>

The Group's bank borrowings arranged at floating rates are with average effective interest rates ranging from 3.25% to 8.85% (31 December 2023: 3.90% to 8.77%) per annum. The bank borrowings arranged at fixed rate are ranging from 0.90% to 4.25% (31 December 2023: ranging from 0.9% to 4.25%) per annum.

The other borrowing carries interest at Hong Kong Interbank Offered Rate (“**HIBOR**”) plus 1.5% (31 December 2023: HIBOR plus 1.5%) per annum and was secured by the Group's bank deposits of approximately HK\$6,500,000 (31 December 2023: HK\$6,500,000).

As at 30 June 2024 and 31 December 2023, the Group's banking borrowing facilities were secured by:

- (a) pledge of the Group's bank deposits of approximately HK\$85,173,000 (31 December 2023: HK\$87,084,000);
- (b) the Group's land, buildings and car parks in Hong Kong of approximately HK\$85,701,000 (31 December 2023: HK\$84,501,000);
- (c) the Group's land and buildings of approximately HK\$26,017,000 (31 December 2023: HK\$22,291,000);
- (d) negative pledge on the assets of certain subsidiaries in the PRC and Bangladesh; and
- (e) 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\$75,687,681 as at 30 June 2024 (31 December 2023: HK\$120,116,000). The Group has complied with these covenants throughout the reporting period and classified the related borrowing balance as non-current.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global economy remained remarkably resilient, with growth holding steady as inflation descended from the peak and growth in employment and income holding steady, resulting in the consumer purchasing power on hair products beginning to stabilise.

In the current complex and ever-changing environment, the Group has continuously enhanced the operation and further increased the cooperative relationship with the key customers, gaining more understanding of their needs and adjusting the products research and development, ensuring the process of mass production and operation to be effective and efficient. In the meanwhile, the Group intensified its cross-border e-commerce expansion efforts to reduce the impact on the Group caused by the periodic reduction in inventory orders from traditional offline channel customers.

The revenue of the Group amounted to HK\$525.2 million for the Period, representing an increase of approximately 9.6% as compared to the corresponding period in 2023. The growth of the sales of braid and special braid products with lower margin remained strong while the sales of human hair extension products with higher margin were also steadily rebounded during the Period. The gross profit margin slightly decreased to 22.4% which was impacted by the implementation of a new minimum gross wage in Bangladesh, however, the continuous devaluation of the Bangladeshi Taka against the US dollar offset the impact of rising labour costs. Net profit margin decreased to 4.5% when compared to 6.2% for the corresponding period in 2023, which is mainly a result of the increase in the finance cost due to the continuous high interest rate, the increase in the start-up cost and on-going expense of the new hairstyling business, and the increase in the income tax and deferred tax expense due to the expiry of tax holiday of income tax in Bangladesh.

OUTLOOK

Amidst the persistently high interest rate environment, the Group has been continuously promoted the growth strategies while closely monitoring the market and environmental conditions to adjust its business plan to manage any negative impacts to the Group.

The Group will continue to enhance the financial performance improvement initiatives across its operations and further set up more online stores on some well-known cross-border e-commerce platforms and begin to enter the hairstyling business to enlarge sales channels and customer bases. The Board believes that the Group has managed the challenges from the complex and ever-changing environment and expects that the market demand for products with higher margin will continuously restore towards the end of this year. The Group will continue to focus on its core business, closely monitor the latest development in the industry and adjust its strategies to provide for the best interest of the shareholders of the Company in the medium to longer term.

FINANCIAL REVIEW

During the Period, the Group's financial results primarily dropped compared with the same period in 2023, mainly due to the increase in the finance cost due to the continuous high interest rate, increase in the start-up cost and on-going expense of the new hairstyling business, and the increase in the income tax and deferred tax expense due to the expiry of tax holiday of income tax in Bangladesh.

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\$525.2 million, representing an increase of HK\$46.0 million, or 9.6%, as compared to HK\$479.2 million for the corresponding period in 2023. The increase was primarily due to the fact that the market demand of the braid products with lower margin remained strong while the sales of lace wigs and closures and human hair extension products with higher margin were also steadily rebounded. During the Period, the revenue generated from hair goods made at the Bangladesh factory accounted for 98.9% of the Group's total revenue as compared to 98.6% for the corresponding period in 2023.

The United States remained as the Group's principal market during the Period with revenue contribution accounting for 92.1% of the Group's total revenue during the Period as compared to 89.6% for the corresponding period in 2023. In terms of product segment, wigs, hair accessories and others remained as the Group's key product segment accounting for 84.1% of its total revenue during the Period as compared to 82.2% for the corresponding period in 2023.

Wigs, hair accessories and others. Revenue for wigs, hair accessories and others steadily rebounded by HK\$47.8 million, or 12.1%, from HK\$394.0 million for the six months ended 30 June 2023 to HK\$441.8 million for the Period. The increase was primarily due to a rise in sales of braid and special braid items which was one of the popular products while the sales of lace wig item also slightly increased and the revenue on the new hairstyling business beginning to contribute.

High-end human hair extensions. Revenue for high-end human hair extensions increased by HK\$10.9 million, or 20.1%, from HK\$54.2 million for the six months ended 30 June 2023 to HK\$65.1 million for the Period, primarily due to the recovery of consumers' purchasing power on the human hair extension products.

Halloween products. Revenue for Halloween products decreased by HK\$12.7 million, or 41.0%, from HK\$31.0 million for the six months ended 30 June 2023 to HK\$18.3 million for the Period, primarily due to a decrease in sales volume due to the continuous de-stocking pressure from customer.

Cost of Goods Sold

The Group's cost of goods sold increased by HK\$38.4 million, or 10.4%, from HK\$369.2 million for the six months ended 30 June 2023 to HK\$407.6 million for the Period. The increase was in line with the increase in revenue and also an increase in direct labour cost by the implementation of a new minimum gross wage in Bangladesh.

Wigs, hair accessories and others. Cost of goods sold for wigs, hair accessories and others increased by HK\$39.2 million, or 12.6%, from HK\$312.0 million for the six months ended 30 June 2023 to HK\$351.2 million for the Period. The increase was in line with the increase in revenue from wigs, hair accessories and others during the Period.

High-end human hair extensions. Cost of goods sold for high-end human hair extensions increased by HK\$7.4 million, or 19.8%, from HK\$36.8 million for the six months ended 30 June 2023 to HK\$44.2 million for the Period. The increase was in line with the increase in revenue from high-end human hair extensions products during the Period.

Halloween products. Cost of goods sold for Halloween products decreased by HK\$8.2 million, or 40.2%, from HK\$20.3 million for the six months ended 30 June 2023 to HK\$12.1 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\$117.6 million, representing an increase of HK\$7.6 million, or 6.9%, as compared to HK\$110.0 million for the corresponding period in 2023. The gross profit remained stable primarily due to a rise in sale and the continuous devaluation of the Bangladeshi Taka against the US dollar, which offset the increase in the labour cost due to the implementation of a new minimum gross wage in Bangladesh during the Period. During the Period, the Group's gross profit margin was 22.4%, representing a slightly decrease of 0.6% from 23.0% for the corresponding period in 2023.

Wigs, hair accessories and others. Gross profit for wigs, hair accessories and others increased by HK\$8.6 million, or 10.5%, from HK\$82.0 million for the six months ended 30 June 2023 to HK\$90.6 million for the Period. Gross profit margin for wigs, hair accessories and others decreased from 20.8% for the six months ended 30 June 2023 to 20.5% for the Period, primarily due to an increase in total production overheads for the Period.

High-end human hair extensions. Gross profit for high-end human hair extensions increased by HK\$3.5 million, or 20.4%, from HK\$17.4 million for the six months ended 30 June 2023 to HK\$20.9 million for the Period. Gross profit margin for high-end human hair extensions slightly increased from 32.0% for the six months ended 30 June 2023 to 32.1% for the Period, primarily due to a slight decrease in total production costs of human hair extension products during the Period.

Halloween products. Gross profit for Halloween products decreased by HK\$4.6 million, or 42.5%, from HK\$10.7 million for the six months ended 30 June 2023 to HK\$6.1 million for the Period. Gross profit margin for Halloween products decreased from 34.4% for the six months ended 30 June 2023 to 33.5% for the Period, primarily due to an increase in total production costs of Halloween products during the Period.

Other Income

Other income increased by HK\$1.2 million, or 40.7%, from HK\$2.9 million for the six months ended 30 June 2023 to HK\$4.1 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\$0.3 million, or 11.9%, from gains of HK\$2.6 million for the six months ended 30 June 2023 to HK\$2.9 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 a gain amounting to HK\$3.2 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 (2023: The Group provided HK\$0.1 million).

Distribution and Selling Expenses

Distribution and selling expenses increased by HK\$1.8 million, or 15.3%, from HK\$11.4 million for the six months ended 30 June 2023 to HK\$13.2 million for the Period, primarily due to an increase in shipping expenses and commission expenses during the Period.

Administrative Expenses

Administrative expenses increased by HK\$0.6 million, or 1.0%, from HK\$60.9 million for the six months ended 30 June 2023 to HK\$61.5 million for the Period, primarily due to an increase in salaries and staff benefit (including director's remuneration) due to an increase in manpower in the new hairstyling business.

Other Expenses

Other expenses decreased by HK\$0.2 million, or 55.9%, from HK\$0.4 million for the six months ended 30 June 2023 to HK\$0.2 million for the Period, primarily due to a decrease in donation made during the Period.

Finance Costs

Finance costs increased by HK\$4.6 million, or 27.6%, from HK\$16.9 million for the six months ended 30 June 2023 to HK\$21.5 million during the Period, it was mainly due to the continuous high interest rate.

Taxation

Income tax expenses of the Group increased by approximately HK\$3.7 million, or 581.2%, from a taxation of HK\$0.6 million for the six months ended 30 June 2023 to a taxation of approximately HK\$4.3 million for the Period, primarily due to the expiring tax holiday for income tax in Bangladesh. Income tax expense included deferred taxation in the amount of HK\$1.6 million for the Period (2023: included a reversal of deferred taxation in the amount of HK\$0.1 million).

Net Profit

The Group's net profit for the Period was HK\$23.9 million, representing a decrease of HK\$6.2 million, or 19.6%, as compared to HK\$29.7 million for the corresponding period in 2023, which was primarily attributable to the increase in the finance cost due to the continuous high interest rate, the increase in the start-up cost and on-going expense of the new hairstyling business, and the increase in the income tax and deferred tax expense due to the expiry of tax holiday of income tax in Bangladesh.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's bank balances, pledged bank deposits and cash increased by HK\$11.5 million or 6.2% from HK\$184.2 million as at 31 December 2023 to HK\$195.6 million as at 30 June 2024. The increase in cash and bank balances for the Period was primarily due to an increase in the trade receivable collection and the proceed from disposal of subsidiaries during the Period.

The Group's trade and other receivables decreased by HK\$2.4 million or 0.8% from HK\$274.3 million as at 31 December 2023 to HK\$271.9 million as at 30 June 2024. The decrease was primarily due to the proceed from disposal of subsidiaries.

Borrowings and Gearing Ratio

As at 30 June 2024, the Group's banking facilities amounted to HK\$840.1 million, of which HK\$182.3 million remained unutilised. As at 30 June 2024, 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 74.4% as compared to 72.8% as at 31 December 2023. 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\$13.3 million on additions to fixed assets as compared to HK\$13.9 million for the corresponding period in 2023, mainly due to maintain its manufacturing capabilities in Bangladesh. As at 30 June 2024, the Group had capital commitments of HK\$1.0 million in respect of property, plant and equipment (31 December 2023: 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 98.9% during the Period (30 June 2023: 98.6%)) 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 2024, the Group did not have any material contingent liabilities.

Pledge of Assets

As at 30 June 2024, the Group's banking borrowing facilities were secured by:

- (a) pledge of the Group's bank deposits of approximately HK\$85.2 million (31 December 2023: HK\$87.1 million);
- (b) the Group's land and buildings and car parks in Hong Kong of approximately HK\$85.7 million (31 December 2023: HK\$84.5 million);
- (c) the Group's land and buildings of approximately HK\$26.0 million (31 December 2023: HK\$22.3 million);
- (d) negative pledge on the assets of certain subsidiaries in the PRC and Bangladesh; and
- (e) certain life insurance contracts classified as financial assets at fair value through profit and loss of the Group.

As at 30 June 2024, the Group's other borrowing was secured by the Group's bank deposits of approximately HK\$6.5 million (31 December 2023: HK\$6.5 million).

Employees and Remuneration Policies

As at 30 June 2024, the Group employed a total of 23,851 employees, as compared to 24,454 employees as at 30 June 2023.

Total employee expenditures during the Period amounted to HK\$182.1 million as compared to HK\$151.9 million for the corresponding period in 2023. 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.

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 2024, 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 2024.

INTERIM DIVIDEND

The Board has declared the payment of an interim dividend of HK\$3.0 cent per Share for the Period (30 June 2023: HK\$4.2 cent per share of an interim dividend declared), totally approximately HK\$19.7 million based on a total of 655,652,000 Shares in issue as at the date of this announcement.

The interim dividend payout ratio is 83.6% for the Period (2023: interim dividend payout ratio: 97.0%).

The interim dividend will be payable on Friday, 20 September 2024 to the shareholders of the Company whose names appear on the register of members of the Company on Friday, 13 September 2024.

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, 11 September 2024 to Friday, 13 September 2024, 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, 10 September 2024.

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 C1 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 C3 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, 23 August 2024

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.