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

2024

ANNUAL REPORT

CONTENTS

Corporate Information

DIRECTORS

EXECUTIVE DIRECTORS

Mr. Chang Yoe Chong Felix
(Chairman and Chief Executive Officer)
Mr. Chan Kwok Keung
Ms. Jia Ziying
Mr. Li Yanbo

NON-EXECUTIVE DIRECTOR

Mr. Chan Lau Yui Kevin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sin Hendrick *M.H.*
Mr. Szeto Yuk Ting
Ir. Cheung Siu Wa

COMPANY SECRETARY

Mr. Siu Ching Hung *(ACG, HKACG)*

AUTHORIZED REPRESENTATIVES

Mr. Chan Kwok Keung
Mr. Siu Ching Hung *(ACG, HKACG)*

AUDIT COMMITTEE

Mr. Sin Hendrick *M.H. (Chairman)*
Mr. Szeto Yuk Ting
Ir. Cheung Siu Wa

REMUNERATION COMMITTEE

Mr. Szeto Yuk Ting *(Chairman)*
Mr. Chang Yoe Chong Felix
Mr. Sin Hendrick *M.H.*
Ir. Cheung Siu Wa

NOMINATION COMMITTEE

Mr. Chang Yoe Chong Felix *(Chairman)*
Mr. Sin Hendrick *M.H.*
Mr. Szeto Yuk Ting
Ir. Cheung Siu Wa

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

Corporate Information

PRINCIPAL BANKS

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

HONG KONG LEGAL ADVISER

Woo Kwan Lee & Lo

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS AND HEAD OFFICE IN HONG KONG

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PLACE OF LISTING

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

COMPANY WEBSITE

www.epfhk.com

Chairman's Statement

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Evergreen Products Group Limited ("**Evergreen**" or the "**Company**") and its subsidiaries (collectively, the "**Group**"), I am pleased to present the annual report of the Group for the year ended 31 December 2024 (the "**Year**").

BUSINESS REVIEW

The global outlook has gradually stabilised but many vulnerabilities remain throughout 2024 amid the persistently high interest rate environment, with the market demand for wigs products have continuously risen driven by the diversified consumer demand on wigs products.

During the Year, the Group delivered revenue of hair products and recorded a significantly rise of 3.8% as compared to the year ended 31 December 2023. The Group's continued focus on high-margin products has gradually restored the segmental revenue of human hair extension products and lace wigs products, while the traditional wig products have also experienced steady growth, benefiting from the diversified consumer demand for wig products and the stabilisation of the global economy during the year. However, the segmental revenue from Halloween products was still affected by the caution in inventory management by our customers as a result of a generally lackluster consumer market in Europe. The Group's gross profit margin continuously improved during the Year, supported by the devaluation of the Taka against the Dollar and the improvement on the marginal cost of those products and the net profit recorded a decrease of 17.6% affected by an increase in the finance cost due to the continuous high interest rate, the increase in the administrative expenses arising from the expansion of the new and core business activities, and the increase in the income tax expense due to the expiry of tax holiday of income tax in Bangladesh as compared to the year ended 31 December 2023.

The Group has continued to strengthen inventory control management and optimise production processes in conjunction with the strategy of the product mix diversity to maintain its market competitive advantage. The Group's gearing ratio dropped to 72.1% when compared to 72.8% for the year ended 31 December 2023.

FINANCIAL OVERVIEW

During the Year, the Group's turnover amounted to HK$1,016.4 million (2023: HK$979.2 million), representing an increase of 3.8% from the year ended 31 December 2023. The Group recorded a profit of HK$39.7 million for the Year, representing a decrease of HK$8.5 million, or 17.6%, as compared with the profit of HK$48.2 million for the year ended 31 December 2023.

Chairman's Statement

OUTLOOK

Persistently the high interest rate and the global economic outlook cautiously optimistic as vulnerabilities, the group has been closely monitoring the market and economic conditions and making the appropriate strategic adjustments in a timely manner, while continuing to focus on the development of its core business and seeking the opportunities to expand the market.

In the upcoming year, the Group will continue to enhance the financial performance improvement initiatives across its operations including the inventory control, cost optimization, refining the bank borrowing costs and accelerate the deployment on several well-known cross-border e-commerce platforms and also explore other social platform to open up a new sales channel to boost the sales of the traditional wigs and human hair extension products.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK2.8 cents per Share for the Year, approximately HK$18.1 million in total based on a total of 646,674,000 Shares in issue as at the date of this annual report, plus the interim dividend of HK3.0 cents per Share already declared and paid, making a total dividend of HK5.8 cents per Share (2023: final dividend of HK2.9 cents per Share and interim dividend of HK4.2 cents per Share). The dividend payout ratio for the Year was approximately 95.1% (2023: 99.2%). Subject to approval by shareholders at the 2025 Annual General Meeting, the proposed final dividend is expected to be payable on 3 June 2025.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to the Directors for their continuing efforts and to thank all members of our staff and management team for their dedication and continuous support. The Group is dedicated to seeking opportunities for positive change and pursuing breakthroughs in 2025. I look forward to sharing the Group's prosperity with them and all of our shareholders and customers in the future.

Chang Yoe Chong Felix
Chairman

Hong Kong, 21 March 2025

Management Discussion and Analysis

BUSINESS REVIEW

During the Year, the global economic growth remained stable but many vulnerabilities persisted. Despite the global wigs and human hair extensions market remain fiercely competitive, the market size has continued to expand, benefiting from the diversified consumer demands on wigs products. The segmental revenue of human hair extension products and lace wigs products with a higher profit margin has steadily restored and the braid products with a lower profit margin delivered stably but the demand for Halloween products remained weak during the Year, which were affected by the caution in inventory management by our customers as a result of a generally lackluster consumer market in the Europe. In the current complex and ever-changing environment, the Group has continuously improved the product quality, enhanced the operation and strengthened its cooperation with customers in technology and research and development, gaining more understanding of their needs and adjusting the products mix, ensuring the process of mass production and operation to be effective and efficient. In the meantime, the Group intensified its effort in cross-border e-commerce expansion to reduce the impact on the Group caused by the periodic reduction in inventory orders from traditional offline channel customers. The Group has entered into the new hairstyling business and directly promoted human hair extension products to consumers, achieving a new stage from business to consumer model in order to further expand the sales channels of human hair extensions products.

The global wigs and human hair extensions market has continuously expanded and grown every year. It is necessarily remained competitive due to the fierce market competition and the diversified consumer demands. The revenue of the Group increased to HK$1,016.4 million during the Year, representing an increase of approximately 3.8% as compared with the corresponding year ended 31 December 2023, mainly due to the increase in the sale of human hair extension products and lace wig products and also a rise in sales in the lower profit margin braid products during the Year. Gross profit margin for the Year still continued to improve to 24.0% from 23.8% as compared with the corresponding year ended 31 December 2023, 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.

As a result of the above, the Group reported profits in the amount of HK$39.7 million during the Year, representing a decrease of 17.6% as compared with the corresponding year ended 31 December 2023.

FINANCIAL REVIEW

During the Year, the Group's financial results dropped as compared with the corresponding year ended 31 December 2023, mainly due 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 expense due to the expiry of tax holiday of income tax in Bangladesh.

Management Discussion and Analysis

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$1,016.4 million, representing an increase of HK$37.2 million or 3.8% as compared with HK$979.2 million for the year ended 31 December 2023. The increase was primarily due to the fact that the market demand of the braid products with lower margin delivered stably while the sales of lace wigs and closures and human hair extension products with higher margin were also steadily rebounded and the revenue on the new hairstyling business and the acquisition of new subsidiaries has begun to contribute during the Year. The Bangladesh factory has consistently enhanced in its production capabilities to satisfy the strong market demand. During the Year, the revenue generated from hair products made at the Bangladesh Factory accounted for 98.9% of the Group's total revenue as compared to 98.7% for the year ended 31 December 2023.

The USA remained as the Group's principal market during the Year with revenue contribution accounting for 91.5% of the Group's total revenue during the Year as compared to 90.1% for the year ended 31 December 2023. In terms of product segments, wigs, hair accessories and others, which remained as the Group's key product segment, accounted for 86.8% of its total revenue during the Year as compared to 88.1% for the year ended 31 December 2023.

Wigs, hair accessories and others. Revenue from wigs, hair accessories and others increased by HK$19.8 million, or 2.3%, from HK$862.3 million for the year ended 31 December 2023 to HK$882.1 million for the Year, primarily due to a rise in sales of braid and special braid items which was one of the popular products as well as a slight increase in the sales of lace wig item and the revenue on the new hairstyling business and the acquisition of new subsidiaries has begun to contribute during the Year.

High-end human hair extensions. Revenue from high-end human hair extensions increased by HK$29.3 million, or 36.4%, from HK$80.4 million for the year ended 31 December 2023 to HK$109.7 million for the Year, primarily due to the recovery of consumers' purchasing power for human hair extension products.

Halloween products. Revenue from Halloween products decreased by HK$12.0 million, or 32.8%, from HK$36.6 million for the year ended 31 December 2023 to HK$24.6 million for the Year, primarily due to a decrease in sales volume of the Halloween products for which were affected by the caution in inventory management shown by our customers as a result of a generally lackluster consumer market in the Europe.

COST OF GOODS SOLD

The Group's cost of goods sold increased by HK$26.7 million, or 3.6%, from HK$746.0 million for the year ended 31 December 2023 to HK$772.8 million for the Year, primarily due to an increase in direct labour cost by the implementation of a new minimum gross wage in Bangladesh and an increase in the cost of hairstyling business and the acquisition of new subsidiaries during the Year.

Management Discussion and Analysis

Wigs, hair accessories and others. Cost of goods sold for wigs, hair accessories and others increased by HK$15.6 million, or 2.3%, from HK$667.1 million for the year ended 31 December 2023 to HK$682.7 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$19.0 million, or 34.6%, from HK$54.9 million for the year ended 31 December 2023 to HK$73.9 million for the Year, corresponding with an increase in sales of these products during the Year.

Halloween products. Cost of goods sold for Halloween products decreased by HK$7.9 million, or 32.8%, from HK$24.1 million for the year ended 31 December 2023 to HK$16.2 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$243.5 million, representing an increase of HK$10.3 million, or 4.4%, as compared with HK$233.2 million for the year ended 31 December 2023, primarily due to the market demand for its human hair extension products and lace wig products being rebounded which benefited from the continuous recovery of the global economy during the Year. The gross profit increased 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 Year, the Group's gross profit margin amounted to 24.0%, representing a slight increase of 0.2 percentage points from 23.8% for the year ended 31 December 2023.

Wigs, hair accessories and others. Gross profit for wigs, hair accessories and others increased by HK$4.1 million, or 2.1%, from HK$195.1 million for the year ended 31 December 2023 to HK$199.2 million for the Year. Gross profit margin for this segment remained stable of 22.6% for the Year and for the year ended 31 December 2023, primarily attributable to the effective cost control of wigs, hair accessories and other products during the Year.

High-end human hair extensions. Gross profit for high-end human hair extensions increased by HK$10.2 million, or 39.8%, from HK$25.6 million for the year ended 31 December 2023 to HK$35.8 million for the Year. Gross profit margin for this segment slightly increased from 31.8% for the year ended 31 December 2023 to 32.6% for the Year, primarily due to the continuous improvement on the production process and the quality control enhancement on procurement during the Year as compared to the year ended 31 December 2023.

Halloween products. Gross profit for Halloween products decreased by HK$4.1 million, or 32.8%, from HK$12.5 million for the year ended 31 December 2023 to HK$8.4 million for the Year. Gross profit margin for Halloween products slightly increased from 34.2% for the year ended 31 December 2023 to 34.3% for the Year, primarily due to a decrease in the marginal cost on Halloween products during the Year as compared to the year ended 31 December 2023.

Management Discussion and Analysis

OTHER INCOME

Other income increased by HK$0.6 million, or 8.2%, from HK$7.3 million for the year ended 31 December 2023 to HK$7.9 million for the Year, primarily due to an increase in income from properties rental and bank interest income during the Year.

OTHER GAINS AND LOSSES

Other gains and losses increased by HK$4.8 million, or 4,800.0%, from a loss of HK$0.1 million for the year ended 31 December 2023 to a profit of HK$4.7 million for the Year. The other gains and losses primarily comprises of HK$2.3 million from the gain on the fair value change of the financial assets at fair value through profit or loss and HK$2.5 million from the gain on the exchange conversion due to the repayment of a bank loan and the settlement in trade payable during the Year.

IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL

During the Year, the Group provided impairment losses of HK$1.4 million in respect of trade receivables (2023: Impairment losses of HK$2.1 million). The impairment losses of HK$1.4 million were provided on the trade and other receivable which are unlikely to be recovered.

DISTRIBUTION AND SELLING EXPENSES

Distribution and selling expenses decreased by HK$4.0 million, or 12.9%, from HK$31.0 million for the year ended 31 December 2023 to HK$27.0 million for the Year, was mainly arising from the decrease in the export transportation and advertisement and commission paid during the Year.

ADMINISTRATIVE EXPENSES

Administrative expenses increased by HK$13.4 million, or 11.3%, from HK$119.1 million for the year ended 31 December 2023 to HK$132.5 million for the Year, was mainly arising from the increase in the administrative cost on hairstyling business and the acquisition of new subsidiaries during the Year.

OTHER EXPENSES

Other expenses decreased by HK$0.3 million, or 60.0%, from HK$0.5 million for the year ended 31 December 2023 to HK$0.2 million for the Year. The donation made by the Group during the Year amounted to HK$0.2 million (2023: HK$0.5 million).

Management Discussion and Analysis

FINANCE COSTS

Finance costs increased by HK$5.6 million, or 15.2%, from HK$36.8 million for the year ended 31 December 2023 to HK$42.4 million for the Year. The increase in finance cost is primarily due to the continuous high interest rate.

TAXATION

Income tax expense of the Group increased by HK$6.4 million, or 97.0%, from HK$6.6 million for the year ended 31 December 2023 to HK$13.0 million for the Year. Income tax expense included deferred taxation in the amount of HK$1.4 million for the Year (2023: HK$0.6 million of reversed deferred taxation).

NET PROFIT

The Group's net profit for the Year amounted to HK$39.7 million, representing a decrease of HK$8.5 million, or 17.6%, as compared with a net profit of HK$48.2 million for the year ended 31 December 2023, mainly attributable to the increase in the labour cost due to the implementation of a new minimum gross wage in Bangladesh, 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 expense due to the expiry of tax holiday of income tax in Bangladesh during the Year when compared to the year ended 31 December 2023.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and bank balances increased by HK$25.1 million or 27.7% from HK$90.6 million as at 31 December 2023 to HK$115.7 million as at 31 December 2024. The increase in cash and bank balances as at 31 December 2024 was primarily due to the pledged bank deposits releasing during the Year. The Group's pledged bank deposits decreased by HK$34.9 million or 37.3% from HK$93.6 million as at 31 December 2023 to HK$58.7 million as at 31 December 2024. The decrease in pledged bank deposits was mainly due to the repayment on bank borrowings during the Year.

BORROWINGS AND GEARING RATIO

As at 31 December 2024, the Group's banking facilities amounted to HK$853.2 million, of which HK$182.3 million remained unutilised. As at 31 December 2024, the gearing ratio of the Group, which is equivalent to the total interest-bearing debt (including secured bank and other borrowings and lease liabilities) divided by total equity, was 72.1% as compared to 72.8% as at 31 December 2023. Moreover, the net gearing ratio of the Group, which is equivalent to the total interest-bearing debt (including secured bank and other borrowings and lease liabilities) net of total cash and bank balances divided by total equity, was 50.1% as compared to 51.1% as at 31 December 2023. 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 2024.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENTS

During the Year, the Group spent approximately HK$33.9 million on additions to fixed assets as compared to HK$28.2 million for the year ended 31 December 2023 mainly to maintain its manufacturing capabilities in Bangladesh. As at 31 December 2024, the Group had capital commitments of HK$6.6 million in respect of property, plant and equipment (2023: HK$0.6 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, 91.5% (2023: 90.1%) of the Group's revenue was denominated in U.S. dollar (the "**US$**"). The Group mainly operates in Bangladesh and the PRC and most of the Group's operating expenses are denominated in Bangladeshi Taka (the "**Taka**") and Renminbi (the "**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 2024, the Group did not have any material contingent liabilities.

PLEDGE OF ASSETS

As at 31 December 2024, the Group's banking facilities of HK$545,044,000 (2023: HK$584,277,000) were secured by:

(a) pledge of the Group's bank deposits of approximately HK$51.0 million (2023: HK$87.1 million);

(b) the Group's land and buildings and carparks in Hong Kong of approximately HK$70.5 million (2023: HK$84.5 million);

(c) the Group's land and buildings in United States and PRC of approximately HK$26.0 million (2023: HK$22.3 million);

(d) investment properties in the PRC of approximately HK$4.7 million (2023: HK$Nil million);

(e) negative pledge of the assets of certain subsidiaries in the PRC and Bangladesh; and

(f) certain life insurance contract classified as financial assets at fair value through profit or loss of the Group.

As at 31 December 2024, the Group's other borrowing was secured by the Group's bank deposit of approximately HK$7.7 million (2023: HK$6.5 million).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2024, the Group employed a total of (i) 21,050 employees in Bangladesh, as compared to 25,371 as at 31 December 2023, (ii) 189 employees in China, as compared to 227 as at 31 December 2023, (iii) 72 employees in Hong Kong, as compared to 63 as at 31 December 2023, and (iv) a total of 26 employees in Japan, the USA and Thailand, as compared to 21 as at 31 December 2023.

Total employee expenditures during the Year amounted to HK$354.7 million as compared to HK$308.7 million for the year ended 31 December 2023. 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, details of which are set out in the sub-section headed "Share Option Scheme" in this annual report.

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, 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.

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

Save as disclosed in this annual report, (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 annual report.

The acquisition of subsidiaries as disclosed in note 37 headed "Acquisition of Subsidiaries" to the Consolidated Financial Statements for the Year did not constitute a notifiable transaction under Chapter 14 of the Listing Rules or a connected transaction under Chapter 14A of the Listing Rules.

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 2024 and up to the date of this annual report.

OUTLOOK

Among unfavourable factors such as the persistent high interest rates and the cautiously optimistic global economic outlook, the Group has remained its growth strategy to expand the sale team and develop the sample room to meet our customers' needs and expectations and also accelerated its deployment on several well-known cross-border e-commerce platforms and ventured into the hairstyling business to open up a new sales channel to boost the sales of human hair extension products.

The Group has continuously refined its bank loan portfolio and optimised product costs and quality to improve the profit margin and enhance the liquidity the soonest possible.

The Board believes that the Group is capable of navigating the complex and ever-changing business environment and predicts that the market demand for wigs and human hair extensions products will stably increase towards the end of 2025. The Group will continue to focus on its core business, closely monitor the latest industry developments and adjust its strategies to provide the best medium to long term benefits to the shareholders of the Company.

Biographical Details of Directors and Senior Management

Brief biographical particulars of the existing Directors and senior management of the Company are set out below:

EXECUTIVE DIRECTORS

Mr. Chang Yoe Chong Felix, aged 59, has been a Director since the incorporation of the Company on 19 May 2016. Mr. Chang was re-designated as an executive Director and appointed as the Chief Executive Officer on 9 September 2016. He is also the Chairman of the Group, the chairman of the nomination committee (the "**Nomination Committee**") and a member of the remuneration committee (the "**Remuneration Committee**") of the Company and has assumed various positions in the Company's subsidiaries including a director of Evergreen Products Factory Limited, a director of EPF Global Enterprises Limited, a director of EPF International Limited, the sole director and manager of Kunming Evergreen Hair Products Co., Ltd.* (昆明訓修髮製品有限公司), a director of Evergreen Products Factory (BD) Ltd., a director of Gold Timing Manufacture (BD) Limited and the manager of Evergreen Products Factory (YZ) Co., Ltd.* (訓修實業(禹州)有限公司). He is responsible for the Group's overall business strategy and major business decisions. He also oversees the Group's operation in Hong Kong, China, Bangladesh and Japan. Mr. Chang is also a director of certain substantial shareholders of the Company including Evergreen Enterprise Holdings Limited, Golden Evergreen Limited, FC Investment Worldwide Limited and CLC Investment Worldwide Limited.

Mr. Chang joined the Group in April 1992 as a manager and was promoted to be the Vice-Chairman and Managing Director in September 1996. He accumulated over 30 years of experience in the hair goods industry. Since joining the Group, Mr. Chang has been responsible for the Group's business strategies and decision-making. Mr. Chang also developed and modified the Group's strategies relating to production, market strategies, and research and development. He has also proposed directional recommendations to the Company by discovering new business opportunities. Mr. Chang has also significantly expanded the Group's scale of production which has led to the Group's current leading position in the hair goods industry.

Mr. Chang obtained a Master of Science degree in Information Technology for Manufacture and a Bachelor of Science degree with honours in Computer and Management Sciences from the University of Warwick in the United Kingdom in July 1992 and July 1990, respectively. Mr. Chang has become a member of the Yunnan Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議) since January 2018.

Save as disclosed above, Mr. Chang does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

The discloseable interests of Mr. Chang in the shares and underlying shares of the Company and its associated corporations under the provisions of Part XV of the Securities and Futures Ordinance (the "**SFO**") are set out in the section headed "Report of the Directors – Directors' and Chief Executives' Interests in Shares and Underlying Shares of the Company and its Associated Corporations" in this annual report.

* *For identification purposes only*

Biographical Details of Directors and Senior Management

Mr. Chan Kwok Keung, aged 57, was appointed as an executive Director on 9 September 2016. Mr. Chan is currently the head of the Company's sales and marketing department and primarily responsible for overseeing the Group's sales and marketing.

Mr. Chan joined the Group in March 1995 and accumulated over 27 years of experience in sales and marketing. He has held various positions in the Group, including director of Evergreen Products Factory Limited, director of EPF Global Enterprises Limited, director of EPF International Limited, director of Evergreen Products Factory (BD) Ltd., as well as director of Gold Timing Manufacture (BD) Limited. Before joining the Group, Mr. Chan worked in the Korea Trade Centre, the Korean Trade-Investment Promotion Agency, as a market research officer from September 1990 to April 1994.

Mr. Chan obtained a Higher Diploma in Institutional Management and Catering Studies from the Hong Kong Polytechnic University (formerly known as the Hong Kong Polytechnic) in November 1990.

Mr. Chan does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

The discloseable interests of Mr. Chan in the shares and underlying shares of the Company and its associated corporations under the provisions of Part XV of the SFO are set out in the section headed "Report of the Directors – Directors' and Chief Executives' Interests in Shares and Underlying Shares of the Company and its Associated Corporations" in this annual report.

Ms. Jia Ziying, aged 48, was appointed as an executive Director on 9 September 2016. Ms. Jia is currently the head of the Company's research and development department and production coordination department and is primarily responsible for the Group's product research and development, and the overall manufacturing management. She is also a director of Evergreen Products Factory Limited.

Ms. Jia joined the Group in July 1997 and accumulated over 25 years of experience in design and development of the hair goods. In February 2002, she set up a product design, research and development division for wigs made by sewing machines. In February 2009, Ms. Jia took charge of the product design, research and development division for weaving products. In February 2011, she was promoted to the head of the Group's research and development department and production coordination department. As the head of the Group's production coordination department, Ms. Jia has been primarily responsible for overseeing production and operations management. In March 2011, Ms. Jia also took charge of the product design, research and development division for Halloween products.

Ms. Jia obtained a Diploma in Accounting and Statistics from Chongqing Radio and TV University (重慶廣播電視大學) in October 1997. Ms. Jia is the spouse of Mr. Li Yanbo, an executive Director.

Biographical Details of Directors and Senior Management

Save as disclosed above, Ms. Jia does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

The discloseable interests of Ms. Jia in the shares and underlying shares of the Company and its associated corporations under the provisions of Part XV of the SFO are set out in the section headed "Report of the Directors – Directors' and Chief Executives' Interests in Shares and Underlying Shares of the Company and its Associated Corporations" in this annual report.

Mr. Li Yanbo, aged 54, was appointed as an executive Director on 9 September 2016. He is primarily responsible for the Company's sales and marketing in the PRC. Mr. Li is also a director of Evergreen Products Factory (SZ) Co., Ltd.* (訓修實業(深圳)有限公司) and Evergreen Products Factory Limited, respectively.

Mr. Li has over 27 years of experience in sales and marketing and has assumed various positions in the Group. Mr. Li joined the Group in September 1995 as a merchandiser in Shenzhen Evergreen Hair Products Co., Ltd.* (深圳訓修髮製品有限公司) and was later promoted to its production planner and production director in October 1996 and February 1997, respectively. In October 1998, Mr. Li was further promoted to the manager of the PRC marketing department in Kunming Evergreen Hair Products Co., Ltd.* (昆明訓修髮製品有限公司). Since then, he has been primarily responsible for the Group's sales and marketing in the PRC, including but not limited to sales, marketing planning, market information collection and after-sales service.

Mr. Li graduated from Northwest A&F University (西北農林科技大學) majoring in Environmental Monitoring and Assessment (distance learning) in July 2016. He graduated from a two-year programme in business administration of China Sociology Correspondence University (中國社會學函授大學) (not MOE accredited) (distance learning) in August 2004. In July 1990, he completed two years of study majoring in English in Hunan Wulingyuan Foreign Language School (湖南武陵源外國語學校).

In March 2003, Mr. Li obtained a Qualification Certificate for National Marketing Manager approved and issued by the Marketing Professional Committee of China Business Manager Association. Mr. Li is the spouse of Ms. Jia Ziying, an executive Director.

Save as disclosed above, Mr. Li does not have any relationship with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

The discloseable interests of Mr. Li in the shares and underlying shares of the Company and its associated corporations under the provisions of Part XV of the SFO are set out in the section headed "Report of the Directors – Directors' and Chief Executives' Interests in Shares and Underlying Shares of the Company and its Associated Corporations" in this annual report.

* *For identification purposes only*

Biographical Details of Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Mr. Chan Lau Yui Kevin, aged 58, was appointed as a non-executive Director on 9 September 2016, representing SEAVI Advent Investments Ltd, a pre-IPO investor of the Group. He has been a director of Evergreen Enterprise Investment Limited since June 2016 and was also a director of Evergreen Product Factory Limited from 2015 to 2017. Mr. Chan is responsible for formulation of the Group's strategic directions and for high level oversight of the Group's management and operations. Mr. Chan is a senior partner of SEAVI Advent Private Equity Limited, overseeing its fund management activities for private equity investments in Greater China. Mr. Chan is also an executive director and a responsible officer of SEAVI Advent Ocean Private Equity Limited, a company licensed to conduct type 9 (asset management) regulated activities under the SFO.

Mr. Chan first joined Advent International Corporation as the Principal of its Technology and Communications Investment in its Hong Kong office in May 2000. He has been with SEAVI Advent Equity Limited, the Asian affiliate of Advent International Corporation since July 2002. Prior to the employment in Advent International Corporation, Mr. Chan worked at HSBC Investment Bank Asia Limited from June 1999 to May 2000 and his last position was an associate director, and earlier worked as an associate in the Investment Banking Division of Goldman Sachs (Asia) L.L.C. from 1997 to 1999.

Mr. Chan obtained a Master of Business Administration degree from Columbia University in May 1997, a Master of Arts degree from the University of Cambridge in May 1993, a Master of Science degree in Electrical Engineering from Polytechnic University in the U.S. (currently known as New York University Polytechnic School of Engineering) in June 1991 and a Bachelor of Arts degree from the University of Cambridge in July 1989. He is a member of the Institution of Engineering and Technology and the Institute of Electrical and Electronics Engineers, respectively, and is a Chartered Engineer. Mr. Chan has been a responsible officer licensed under the SFO to engage in type 9 (asset management) regulated activities since July 2008. He was awarded the Pearson SRF BTEC Level 7 Advanced Professional Diploma for the Financial Times Non-Executive Director by Pearson Education Ltd in May 2016.

Mr. Chan does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 December 2024, Mr. Chan did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

Biographical Details of Directors and Senior Management

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Sin Hendrick *M.H.*, aged 50, was appointed as an independent non-executive Director on 19 June 2017. He is the chairman of the Audit Committee and a member of each of the Remuneration Committee and the Nomination Committee. Mr. Sin is responsible for giving strategic and independent advice and guidance on the Group's business and operations.

Mr. Sin is a founding partner of China Prosperity Capital Fund. He is also the vice chairman of CMGE Group Limited and has been an executive director of CMGE Technology Group Limited (the shares of which were listed on the Stock Exchange on 31 October 2019, stock code: 0302) since 25 April 2018. Since November 2019 and July 2022, Mr. Sin has respectively been serving as an independent non-executive director of 36 Kr Holdings Inc., whose shares are listed on the NASDAQ (stock code: KRKR) and Suning.com Co., Limited, a company listed on the Shenzhen Stock Exchange (stock code: 002024). Since January 2022, October 2022 and March 2023, Mr. Sin has been appointed as an independent non-executive Director of Hong Kong Economic Times Holdings Limited, a company listed on the Stock Exchange (stock code: 423) and China Tower Corporation Limited, a company listed on the Stock Exchange (stock code: 788) and Tianjin Development Holdings Limited, a company listed on the Stock Exchange (stock code: 882) respectively. Between July 2013 and August 2015, Mr. Sin was an independent non-executive director of AID Partners Capital Holdings Limited, a company listed on the Stock Exchange (Stock Code: 8088). Between March 2009 and October 2012, Mr. Sin was an executive director and the chief financial officer of V1 Group Limited, a company listed on the Stock Exchange (Stock Code: 0082).

Mr. Sin obtained a Master of Science degree in Engineering Economic Systems and Operations Research from Stanford University in June 1997. He also obtained three Bachelor of Science degrees in Mathematics/ Computer Science, Economics and Industrial Management from Carnegie Mellon University in May 1996. Mr. Sin is a member of The Hong Kong Institute of Directors and the executive vice-chairman of the Hong Kong Software Industry Association (香港軟件行業協會). Mr. Sin has become a member of the Tianjin Municipal's Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議) since January 2018 and has been elected as a deputy of the fourteenth National People's Congress in Hong Kong SAR on 15 December 2022.

Mr. Sin does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 December 2024, Mr. Sin did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

Mr. Szeto Yuk Ting, aged 57, was appointed as an independent non-executive Director on 19 June 2017. He is the chairman of the Remuneration Committee and a member of each of the Audit Committee and the Nomination Committee. Mr. Szeto is responsible for giving strategic and independent advice and guidance on the Group's business and operations.

Biographical Details of Directors and Senior Management

Mr. Szeto was admitted as a solicitor in Hong Kong in September 1992 and had over 25 years of legal experience. His major areas of practice include civil and criminal litigation, conveyancing and probate. Mr. Szeto co-founded Messrs. Y.T. Szeto & Company, Solicitors in September 1996 and has been the sole proprietor of the firm since January 2001. He also worked in Messrs. Paul Chan & Co., Solicitors from 1993 to 1996.

Mr. Szeto obtained a Postgraduate Certificate in Laws and a Bachelor of Laws degree (with Honours) from the University of Hong Kong in June 1990 and December 1989, respectively. Since December 2019 and March 2023, Mr. Szeto has respectively been serving as an independent executive director of Wise Ally International Holdings Limited, a company listed on the Stock Exchange (stock code: 9918) and Chiho Environmental Group Ltd, a company listed on the Stock Exchange (stock code: 976).

Mr. Szeto does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at 31 December 2024, Mr. Szeto did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

Ir. Cheung Siu Wa, aged 63, was appointed as an independent non-executive Director on 18 February 2019. He was appointed a member of the Audit Committee, the Remuneration Committee and the Nomination Committee on 1 June 2023. Ir. Cheung Siu Wa is responsible for giving strategic and independent advice and guidance on the Group's business and operations.

Ir. Cheung is an equity partner of Key Direction Limited ("**KDL**"), a railway engineering consultancy firm based in Hong Kong with subsidiaries in Kuala Lumpur, Singapore and Macau. He has been appointed as the vice chairman and a director of KDL since September 2018. Before joining KDL, he worked in MTR Corporation Limited ("**MTR**"), a company listed on Stock Exchange (stock code: 0066), for 35 years during the period from November 1983 to July 2018 and held various senior positions in MTR involving railway operations and maintenance and construction of new extension projects. He joined MTR in 1983 as a graduate engineer, and had progressed over the years to senior management positions in its Operations and Projects Divisions. He was seconded to Ngong Ping 360 Limited as its managing director from September 2007 to July 2009. In July 2009, Ir. Cheung was appointed as the Chief of Operating of MTR and was responsible for the operations of all transport business of MTR in Hong Kong. In January 2011, he took up the position of the Chief of Operations Engineering of MTR for overseeing all maintenance and technical functions for railway assets. Ir. Cheung was the Human Resources Director of MTR between July 2012 and June 2015 and the European Business Director of MTR between June 2015 and June 2016. He was the president of the MTR Academy between July 2016 and July 2018 and a member of the Executive Directorate of MTR between July 2012 and July 2018.

Ir. Cheung is a fellow of each of The Hong Kong Institution of Engineers, The Institution of Electrical Engineers of the United Kingdom and The Chartered Institute of Logistics & Transport in Hong Kong. He is also a member of the Hong Kong Institute of Directors. Ir. Cheung has become a member of the Yunnan Provincial Committee of the Chinese People's Political Consultative Conference (中國人民政治協商會議) between 2018 to 2022.

Biographical Details of Directors and Senior Management

Ir. Cheung obtained a Bachelor of Science degree in Engineering and a Master of Science degree in Engineering from The University of Hong Kong in 1983 and 1990, respectively, a Master of Business Administration degree from the City Polytechnic of Hong Kong (now called City University of Hong Kong) in 1990 and a Master of Science degree in Financial Analysis from The Hong Kong University of Science and Technology in 2005.

Ir. Cheung does not have any relationships with any Directors, senior management, substantial shareholders or controlling shareholders of the Company.

As at the 31 December 2024, Ir. Cheung did not have any interests in the shares, underlying shares and debentures of the Company and its associated corporations under the provisions of Part XV of the SFO.

SENIOR MANAGEMENT

Mr. To Hin Pak, aged 45, joined the Group on 20 May 2022 as the Chief Financial Officer of the Company, and is responsible for supervising financial reporting, corporate finance, treasury, tax and other financial related matters, and overseeing investment activities and transactions of the Group.

Mr. To is a fellow member of the Association of Chartered Certified Accountants and a member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and the Chartered Governance Institute. Mr. To has over twenty years of experience in accounting and financial management. Mr. To obtained a master's degree in Corporate Governance in 2013 and a Bachelor of Arts degree in Accountancy in 2002, in each case, from the Hong Kong Polytechnic University.

Corporate Governance Report

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 and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The Board is of the view that, the Company has complied with all the code provisions as set out in the CG Code throughout the Year, 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.

PURPOSE, VALUES AND STRATEGIES

The Company has always emphasised the importance of integrity in conducting its business, which has contributed to the building of trust and mutual respect among its management, employees, customers and suppliers and has led to the long-term success of the Company. The Company's culture is moulded by our values. The Board has established the following values that are integrated throughout the Company's objective and policies, to guide employees' conduct and behaviors, as well as business operation and strategies:

Evergreen's purpose want to be the best and create the best and highest quality hair products possible to its customers.

Evergreen's values are to ensure that the Company adheres to the principles of achieving integrity, excellence, flexibility and innovation, and to strive to deliver the best and the highest quality hair products which are trusted by its customers.

Corporate Governance Report

Evergreen's strategies are (i) to integrate the production lines of its Bangladesh factories to achieve a balanced and diverse product mix of hair products to satisfy its customers' requirements in scalability, flexibility, adaptability and quality; (ii) to sustain the competitive advantages to strengthen the research and development team for product innovation in the People's Republic of China and Bangladesh.

The Company will conduct regular review of and adjust (if necessary) our strategies, and diligently monitor the evolving market conditions to ensure prompt and proactive measures will be taken in response to the changes and market needs, thereby fostering the Company's sustainability.

CORPORATE GOVERNANCE PRINCIPLES AND THE COMPANY'S PRACTICES

A. DIRECTORS

A.1. Board of Directors

The Company should be headed by an effective Board which should assume responsibility for leadership and control of the Company and be collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. Directors should take decisions objectively in the interests of the Company.

The Company has in place mechanisms to ensure that independent views and input are available to the Board. Such mechanisms include appointing sufficient number of independent non-executive Directors, reviewing their time contribution and assessing their performance annually. If required, the Directors may request for separate independent professional advice to be provided to them to assist them to discharge their duties at the Company's expenses.

A.2. Chairman and Chief Executive Officer

There are two key aspects of the management of the Company – the management of the Board and the day-to-day management of the Company's business. There should be a clear division of these responsibilities at the Board level to ensure a balance of power and authority, so that power is not concentrated in any one individual.

Code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

In view of the present composition of the Board, the in-depth knowledge of Mr. Chang Yoe Chong Felix, the Chairman and the Chief Executive Officer, of the Company's operations and the wigs industry in general, his extensive business network and connections, and the scope of operations of the Company, the Board believes that it is in the best interest of the Company for Mr. Chang Yoe Chong Felix to assume the roles of both the Chairman and the Chief Executive Officer.

A.3. Board Composition

The Board should have a balance of skills and experience appropriate for the requirements of the business of the Company. The Board should ensure that changes to its composition can be managed without undue disruption. The Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board to enable effective exercise of independent judgment. Non-executive Directors should be of sufficient calibre and number for their views to carry weight.

The Board currently comprises four executive Directors, namely, Mr. Chang Yoe Chong Felix, Mr. Chan Kwok Keung, Ms. Jia Ziying and Mr. Li Yanbo; one non-executive Director, namely, Mr. Chan Lau Yui Kevin; and three independent non-executive Directors, namely, Mr. Sin Hendrick *M.H.*, Mr. Szeto Yuk Ting and Ir. Cheung Siu Wa. Mr. Li Yanbo is the spouse of Ms. Jia Ziying. Mr. Chang Yoe Chong Felix is the Chairman of the Board.

During the Year, the Company has complied with Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules in relation to the appointment of at least three independent non-executive Directors, representing at least one-third of the Board with one of whom, being Mr. Sin Hendrick *M.H.*, possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the requirements set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

Biographies of the Directors including the necessary details of the relationships among the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report, which demonstrate a diversity of skills, expertise, experience and qualifications among members of the Board.

A.4. Board Independence

The Company recognises that Board independence is pivotal in good corporate governance and Board effectiveness. The Board has established mechanisms to ensure independent views and input are available to the Board. The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors. Further, independent non-executive Directors will be appointed to Board Committees as required under the Listing Rules and as far as practicable to ensure independent views and input are available. The Nomination Committee strictly adheres to the independence assessment criteria as set out in the Listing Rules with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure that they can continually exercise independent judgement. No equity-based remuneration with performance related elements will be granted to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence. A director (including independent non-executive Director) who has a material interest in a contract or arrangement shall not vote or be counted in the quorum on any Board resolution approving the same.

Corporate Governance Report

During the Year, the Board through the Nomination Committee has reviewed the implementation of the above mechanisms and considered that they were effective in ensuring independent views and input were available to the Board.

A.5. Appointments, Re-election and Removal of Directors

There should be formal, careful and transparent procedures for the appointment of new Directors to the Board. There should be plans in place for orderly succession for appointments to the Board. All Directors should be subject to re-election at regular intervals. The Company must explain the reasons for the resignation or removal of any Director.

Prior to 1st January 2022, Code provision A.4.1 of the CG Code stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. After the new amendment to the CG Code which came into force on 1st January 2022, the non-executive Directors are no longer to be appointed for a specific term.

According to article 108 of the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Company at the general meeting at which a Director retires may fill the vacated office.

According to article 112 of the articles of association of the Company, any Director appointed to fill a casual vacancy or as an additional Director shall hold office only until the first general meeting of the Company after such appointment and be subject to re-election at such meeting.

A.6. Responsibilities and Delegation of Directors

The Board oversees the overall management of the Company’s businesses and affairs. The Board’s primary duty is to ensure the viability of the Company and to ascertain that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group’s operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

The Board reserves its decision for all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company.

The Board has delegated the day-to-day management of the Company's businesses to the management and the executive committee of the Company, and focuses its attention on matters affecting the Company's long-term objectives and plans for achieving these objectives, the overall business and commercial strategy of the Group as well as overall policies and guidelines.

During the Year, all Directors have been provided, on a quarterly basis, with the Group's management information updates, giving a balanced and understandable assessment of the Group's performance, position, recent developments and prospects in sufficient detail to keep them abreast of the Group's affairs and facilitate them to discharge their duties under the relevant requirements of the Listing Rules.

All Directors are entitled to access Board papers, minutes and related materials. When queries are raised by Directors, steps will be taken to respond as promptly and fully as possible.

A.7. Model Code for Securities Transactions

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 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.

The Company has also established written guidelines (the "**Employees Written Guidelines**") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of inside information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

A.8. Corporate Governance Functions

The Audit Committee is responsible for performing the functions as set out in code provision A.2.1 and D.3.3 of the CG Code.

During the Year, the Audit Committee has reviewed the Company's corporate governance policies and practices, training and continuous professional development ("**CPD**") of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the Company's compliance with the CG Code and the disclosures in this report.

A.9. Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director would receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction would be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Corporate Governance Report

Directors should participate in appropriate CPD training to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Directors are required to provide the Company with details of the CPD training undertaken by them from time to time. Based on the details so provided, the CPD training undertaken by the Directors in the Year is summarized as follows:

Name	Attending internal seminars and training on the Model Code and corporate governance	Attending seminars/ workshops on Directors' responsibilities and other related issues	Reading relevant news alerts, newspapers, journals, magazines, relevant publications and guidelines on Directors' continuous responsibilities, corporate governance and other related issues
Executive Directors			
Mr. CHANG Yoe Chong Felix *(Chairman and Chief Executive Officer)*	–	–	✔
Mr. CHAN Kwok Keung	–	–	✔
Ms. JIA Ziying	–	–	✔
Mr. LI Yanbo	–	–	✔
Non-executive Director			
Mr. CHAN Lau Yui Kevin	–	✔	✔
Independent non-executive Directors			
Mr. SIN Hendrick *M.H.*	–	–	✔
Mr. SZETO Yuk Ting	✔	✔	✔
Ir. CHEUNG Siu Wa	–	–	✔

Each of the Directors has complied with code provision C.1.4 of the CG Code. The Directors have confirmed that they have devoted sufficient time and attention to the affairs of the Group. Besides, the Directors have disclosed to the Company their interests as director and other office in other public companies and organizations in a timely manner and updated the Company on any subsequent changes.

B. BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs and delegated its authority to these committees to assist it in the implementation of its functions.

The terms of reference setting out the authorities, duties and responsibilities of the above committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

B.1. Audit Committee

On 19 June 2017, the Board established the Audit Committee which currently comprises three independent non-executive Directors, namely Mr. Sin Hendrick *M.H.* (Chairman), Mr. Szeto Yuk Ting and Ir. Cheung Siu Wa. The Company has complied with Rule 3.21 of the Listing Rules, which requires that the Audit Committee must comprise a minimum of three members with at least one member being an independent non-executive Director possessing appropriate professional qualifications or accounting or related financial management expertise, and must be chaired by an independent non-executive Director. All members of the Audit Committee have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company.

B.1.1. Duties of the Audit Committee

The Audit Committee is principally responsible for, among other things, monitoring the integrity of periodical financial statements of the Company, reviewing significant financial reporting judgments contained in them before submission to the Board for approval, reviewing and monitoring the external auditor's independence and objectivity as well as the effectiveness of the audit process in accordance with applicable standards.

The Audit Committee has been delegated with the responsibilities to develop, review, monitor, and make recommendations to the Board (as appropriate) in respect of the Company's policies and practices of corporate governance (including the compliance with the CG Code and the relevant disclosures in the Company's interim and annual reports), whether the practices are in compliance with legal and regulatory requirements, the Company's compliance with the CG Code and disclosures in this report and the training and continuous professional development of the Directors and senior management of the Company. In addition, the Audit Committee has also been delegated the duties of overseeing and reviewing the Company's risk management and internal control systems.

Corporate Governance Report

B.1.2. Work Performed by the Audit Committee

The Audit Committee held three meetings during the Year, at which it reviewed the audited annual results of the Group for the year ended 31 December 2023, the unaudited interim results of the Group for the six months ended 30 June 2024 and the 2024 Planning Report to Audit Committee of the Group prepared by Deloitte Touche Tohmatsu, the Company's independent auditor ("**Deloitte**" or the **"Independent Auditor**"), the terms of reference of the Audit Committee, other matters related to the financial and accounting policies and practices of the Company, as well as the nature and scope of the audit for the Year. Further, it reviewed the Group's internal control review report, the risk management policy and a report on risk assessment prepared by CityLinkers Corporate Advisory Services Limited (an independent advisor of the Company) (the "**Independent Advisor**"), and put forward relevant recommendations to the Board for approval.

On 21 March 2025, the Audit Committee held another meeting and reviewed the audited consolidated financial statements of the Group as well as the accounting principles and policies for the Year in the presence of the representatives from Deloitte, and the Company's management. It also reviewed this report, a report on enterprise risk management of the Company prepared by the Independent Advisor and a report on internal control review and assessment of risk management prepared by the internal audit team of the Group. The Audit Committee concluded that the internal control systems and risk management of the Group are effective and adequate.

B.2. Remuneration Committee

On 19 June 2017, the Board established the Remuneration Committee which currently comprises four members, including three independent non-executive Directors, namely Mr. Szeto Yuk Ting (Chairman), Mr. Sin Hendrick *M.H.* and Ir. Cheung Siu Wa and an executive Director, Mr. Chang Yoe Chong Felix.

The Remuneration Committee has adopted the model under code provision E.1.2(c)(ii) of the CG Code, where it performs an advisory role to the Board by making recommendations to the Board on the remuneration packages of the Directors and the senior management of the Company, with the Board retaining the final authority to approve the remuneration packages of such individuals.

B.2.1. Duties of the Remuneration Committee

The Remuneration Committee has been charged with the responsibility of making recommendations to the Board, in consultation with the Chairman of the Board, on an appropriate policy and framework for all aspects of remuneration of all Directors and senior management of the Company, including but not limited to Directors' fees, salaries, allowances, bonuses, share options, benefits in kind and pension rights, to ensure that the level of remuneration offered by the Company is competitive and sufficient to attract, retain and motivate personnel of the required quality to manage the Company successfully.

B.2.2. Work Performed by the Remuneration Committee

The Remuneration Committee held two meetings during the Year to discuss the Company's remuneration-related matters. All members of the Remuneration Committee had also deliberated on matters relating to the director's fee of independent non-executive Directors, the remuneration package of, payment of bonuses and grant of share awards to, certain executive Directors and senior management of the Company and the remuneration packages of the Directors newly appointed during the Year. No Director was involved in deciding his own remuneration at the meeting of the Remuneration Committee.

The remuneration of the members of the senior management of the Group by band for the Year is set out below:

Remuneration band	Number of persons
HK$1 to HK$500,000	4
HK$500,001 to HK$1,500,000	4
HK$3,000,001 to HK$4,000,000	1

B.3. Nomination Committee

On 19 June 2017, the Board established the Nomination Committee which currently comprises four members, including an executive Director, Mr. Chang Yoe Chong Felix (Chairman) and three independent non-executive Directors, namely Mr. Sin Hendrick *M.H.*, Mr. Szeto Yuk Ting and Ir. Cheung Siu Wa.

B.3.1. Duties of the Nomination Committee

The principal duties of the Nomination Committee include reviewing the composition of the Board, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of the independent non-executive Directors.

The Company and the Nomination Committee commit to selecting the best person for the role as Director. In assessing the composition of the Board, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Board diversity policy adopted by the Company, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Corporate Governance Report

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's character, qualifications, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Company has adopted a policy for the nomination of Directors, which sets out the procedures as well as the process and criteria for nomination and appointment of a new Director and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company's business.

The Nomination Committee should, upon receipt of the proposal on appointment of a new Director and his/her biographical information, evaluate such candidate based on the criteria as set out in the nomination policy to determine whether such candidate is qualified for directorship. If the process yields one or more desirable candidates, the Nomination Committee should rank them by order of preference based on the needs of the Company and reference check of each candidate. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable. For any person that is nominated by a shareholder for election as a Director at the general meeting of the Company, the Nomination Committee should evaluate such candidate based on the criteria as set out in the nomination policy to determine whether such candidate is qualified for directorship.

To ensure that a newly appointed Director will have a proper understanding of the operations and business of the Company and is fully aware of his/her responsibilities under all applicable laws and regulations (including the Listing Rules), he/she will be provided with a comprehensive, tailored made and formal induction on the first occasion of his/her appointment.

B.3.2. Work Performed by the Nomination Committee

The Nomination Committee held one meeting during the Year to review the size and composition of the Board and the independence of the independent non-executive Directors, identify any new Board member and make recommendation on the re-election of the retiring Directors at the 2025 annual general meeting.

C. ATTENDANCE RECORD AT MEETINGS

During the Year, four Board meetings, three meetings of the Audit Committee, two meetings of the Remuneration Committee, one meeting of the Nomination Committee and one general meeting of the Company were held. Attendance of individual Directors at such meetings are as follows:

	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nomination Committee Meetings	General Meetings
Number of meetings	4	3	2	1	1
Executive Directors					
Mr. Chang Yoe Chong Felix *(Chairman and Chief Executive Officer)*	4	N/A	2	1	1
Mr. Chan Kwok Keung	4	N/A	N/A	N/A	1
Ms. Jia Ziying	4	N/A	N/A	N/A	1
Mr. Li Yanbo	4	N/A	N/A	N/A	1
Non-executive Director					
Mr. Chan Lau Yui Kevin	4	N/A	N/A	N/A	1
Independent Non-executive Directors					
Mr. Sin Hendrick *M.H.*	4	3	2	1	1
Mr. Szeto Yuk Ting	4	3	2	1	1
Ir. Cheung Siu Wa	4	3	2	1	1

The Chairman also held a meeting with all independent non-executive Directors without the presence of the other Directors during the Year.

Directors are consulted to include matters in the agenda for regular Board meetings.

Dates of regular Board meetings are scheduled at least 14 days in advance to provide sufficient notice to give all Directors an opportunity to attend. For all other Board meetings, a reasonable period of notice will be given.

Directors have access to the advice and services of the company secretary of the Company to ensure that Board procedures and all applicable rules and regulations are followed.

Corporate Governance Report

Minutes of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee are kept by the company secretary and are open for inspection at any reasonable time on reasonable notice by any Director.

Minutes of the Board, the Audit Committee, the Remuneration Committee and the Nomination Committee have recorded in sufficient detail the matters considered by the Board and the committees, decisions reached, including any concerns raised by Directors or dissenting views expressed. Draft and final versions of such minutes would be sent to all Directors for their comments and records.

D. ACCOUNTABILITY AND AUDIT

D.1. Financial Reporting

The Directors acknowledge that they are responsible for overseeing the preparation of the financial statements which give a true and fair view of the financial position of the Group and of the financial performance and cash flows for such reporting period. In doing so, the Directors select suitable accounting policies and apply them consistently and make accounting estimates that are appropriate in the circumstances. With the assistance of the accounting and finance staff, the Directors ensure that the financial statements of the Group are prepared in accordance with statutory requirements and appropriate financial reporting standards. The Directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

More detailed descriptions of the changes in accounting policies (if any) and the related financial impacts are included in the audited consolidated financial statements of the Group for the Year.

D.2. Independent Auditor's Reporting

The statement by the Independent Auditor about its reporting and auditing responsibilities for the financial statements is set out in the Independent Auditor's Report contained in this annual report.

D.3. Independent Auditor's Remuneration

The fees in respect of the audit and non-audit services provided to the Group by the Independent Auditor for the Year amounted to approximately HK$2.7 million and HK$0.8 million, respectively. The non-audit service mainly consisted of interim review of the Group for the Year.

E. DIVERSITY

The Company has adopted a board diversity policy. As detailed under paragraph B.3.1 above in this Corporate Governance Report, the Board will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, experience, expertise, qualifications, skills and knowledge in maintaining the composition of the Board. As at the date of this report, the Board consists of one female Director and seven male Directors. The Nomination Committee considered that the Board had achieved gender diversity and possessed skill and expertise and a diverse mix appropriate for the business of the Company and will review the composition and diversity of the Board annually to ensure its continued effectiveness.

Measures to develop a pipeline of potential successors to achieve gender diversity:

- The Board will identify potential successors internally based on the industry expertise, leadership skills, decision making capabilities, communication skills and professional qualification of the employee.

- The Board will consider the external sources such as recruitment agency and referral.

As at 31 December 2024, the gender ratio of the workforce of the Group was 28:72 male to female. As to senior management, currently the Chief Financial Officer of the Company is male. Although the Company does not currently have a specific diversity policy on hiring employees or appointing senior management, its HR measures and practices promote anti-discrimination and equal opportunity in all human resources decisions processes, as mentioned in paragraph 5.1.1 of the Environmental, Social and Governance Report. The Company will review the effectiveness of these measures and practices against the actual circumstances of the Group and will adopt new policies when considered necessary. In particular, it will continue to monitor the above-mentioned gender ratio and will aim at achieving a greater gender diversity in hiring all positions across the Group.

F. INTERNAL CONTROLS AND RISK MANAGEMENT REPORT

The Board is directly responsible for risk management and the internal control systems of the Group and reviewing their effectiveness. The systems are designed for the Group to identify and manage significant risks to achieve its business objectives, safeguard its assets against unauthorised use or disposition, ensure the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensure compliance with relevant laws and regulations. The systems are designed to manage rather than to eliminate the risk of failure in order to achieve the business objectives of the Group, and can only serve as reasonable, but not absolute, assurance against material misstatement or loss.

Corporate Governance Report

The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design and implementation and the overall effectiveness of the systems. The Board conducts and reviews the effectiveness of the systems on a semi-annual basis through the Audit Committee which is responsible for all material controls and measures, including financial, operational and compliance controls. The Board has adopted a comprehensive risk management policy to identify, evaluate and manage significant risks. The Group can thereby identify risks which might adversely affect the achievement of the Group's objectives, and assess as well as prioritise the level of risk, in order to draw up risk mitigation plans which can then be established to respond to such significant risks.

The Audit Committee relies on the following parties for reviewing the Group's systems:

- The Company has an internal audit function. The Group Internal Audit Department (the "**GIA**") reviews material internal control aspects of the Group, including financial, operations and compliance controls. During the Year, the GIA conducted audits and issued internal audit reports to management covering various financial, operational and compliance controls based on the annual internal audit work plan. Audit findings were reported to the Audit Committee and the Board on a half-yearly basis. Relevant findings, recommendations and risk assessment results reported by GIA were communicated with management and remediation actions were taken to resolve deficiencies once they are identified. There were no material internal control deficiencies identified during the year.

- To further strengthen the resilience of the systems, the Board had engaged an external independent internal control consultant (the "**IC Consultant**") to perform a review of the Group's internal controls (the "**Internal Controls Review**") and assist the Company to perform a Group level risk assessment during the year. The scope of work of the IC Consultant was to conduct a gap analysis of the Company's overall systems to identify potential areas of improvement through interviews with designated responsible personnel and examined relevant documents of certain business processes, to identify potential internal controls design gaps, and to recommend remedial actions to be taken. Observations are reported to the Audit Committee on an annual basis.

- The IC Consultant adopts a risk-based approach when reviewing the system; the GIA develops and implements the annual internal audit work plan based on the Group level risk assessment results.

Management has confirmed to the Board and the Audit Committee on the effectiveness of the systems during the Year. The Board, as supported by the Audit Committee, reviewed the systems, including the financial, operational and compliance controls during the Year, and considered that such systems are effective and adequate. The annual review also covered the Company's accounting and financial reporting function, internal audit as well as the function relating to its ESG performance and reporting staff's qualifications, experiences and relevant resources.

G. HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has put in place a policy on handling and dissemination of inside information according to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Future Commission which sets out the procedures and internal controls for handling and dissemination of inside information in a timely manner in such a way to avoid placing any person in a privileged dealing position. The inside information policy also provides guidelines to employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory and Listing Rules disclosure requirements. The Company has appropriate internal control and reporting systems to identify and assess potential inside information. Dissemination of inside information of the Company shall be conducted by publishing the relevant information on the websites of the Stock Exchange and the Company, according to the requirements of the Listing Rules.

H. COMPANY SECRETARY

Mr. Siu Ching Hung, an employee of the Company, has been appointed as the company secretary of the Company. During the Year, Mr. Siu has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

I. COMMUNICATION WITH SHAREHOLDERS

I.1. Effective Communication

On 19 June 2017, the Board adopted a shareholders' communication policy reflecting mostly the current practices of the Company for communication with its shareholders. Such policy aims at providing the shareholders and potential investors with ready and timely access to balanced and understandable information of the Company. It will be reviewed regularly to ensure its effectiveness and compliance with the prevailing regulatory and other requirements.

The Company has established a number of channels for maintaining an on-going dialogue with its shareholders as follows:

(i) corporate communications such as annual reports, interim reports and circulars are issued in printed form and are available on the Company's website at www.epfhk.com and the Stock Exchange's website at www.hkexnews.hk;

(ii) periodic announcements are made through the Stock Exchange and published on websites of the Company and the Stock Exchange, respectively;

(iii) corporate information is made available on the Company's website and the articles of association of the Company is made available on websites of the Company and the Stock Exchange, respectively;

Corporate Governance Report

(iv) annual general meetings and other general meetings of the Company provide a forum for the shareholders to make comments and exchange views with the Directors and senior management of the Company; and

(v) the Company's share registrar serves the shareholders in respect of share registration, dividend payment, change of shareholders' particulars and related matters.

On 10 May 2024, the annual general meeting was held, at which the Board and the chairmen of the Audit Committee and the Remuneration Committee were present to answer questions from shareholders.

The Chairman of the Board and the chairmen of the Audit Committee and the Remuneration Committee shall attend the upcoming annual general meeting of the Company to answer questions from shareholders.

I.2. Procedures for Convening an Extraordinary General Meeting by Shareholders

Pursuant to article 64 of the articles of association of the Company, one or more shareholders of the Company holding, at the date of deposit of the requisition, not less than one-tenth of the paid-up capital of the Company and having the right of voting at general meetings may make a requisition to convene an extraordinary general meeting by a written requisition to the Board or the company secretary either via mail to the Company's principal place of business in Hong Kong at 11th Floor, Chiap Luen Industrial Building, 30–32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong or at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, or via email to info2@epfhk.com. Such meeting shall be held within two months after the deposit of such requisition. If the Board fails to proceed to convene such meeting within 21 days of such deposit, the requisitionist(s) himself/themselves may do so in the same manner.

I.3. Procedures for Putting Forward Proposals at General Meetings

Any shareholder who wishes to put forward proposals at a general meeting of the Company shall submit such proposals to the Board in writing for the Board's consideration either via mail to the Company's principal place of business in Hong Kong at 11th Floor, Chiap Luen Industrial Building, 30–32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong or at the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, or via email to info2@epfhk.com not less than seven days prior to the date of the general meeting.

I.4. Procedures for Proposing a Person for Election as a Director

As regards the procedures for proposing a person for election as a Director, please refer to the procedures titled "Procedures for Shareholders to Propose a Director" made available under the section headed "Investor Relations – Corporate Governance" in the Company's website at www.epfhk.com.

I.5. Procedures for Putting Forward Enquiries to the Board

To put forward any enquiries to the Board, shareholders may send written enquiries to the Company. The Company will normally not deal with verbal or anonymous enquiries.

Address: 11th Floor, Chiap Luen Industrial Building, 30–32 Kung Yip Street, Kwai Chung, New Territories, Hong Kong, for the attention of the Board of Directors/Company Secretary

Email: info2@epfhk.com

For the avoidance of doubt, shareholders must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

J. CONSTITUTIONAL DOCUMENTS

There was no change in the constitutional documents of the Company during the Year.

K. INVESTOR RELATIONS

The Company keeps on promoting good investor relations and enhancing communication with its shareholders and potential investors in order for them to better understand the Group's business performance and strategies. In line with the shareholders' communication policy of the Company, the Company maintains an on-going dialogue with shareholders and the investment community, in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries. Investors, stakeholders and the public can also communicate and/or raise concerns or suggestions with the Company by phone on (852) 2427 5468 during normal business hours, by fax at (852) 2420 3938 or by e-mail at info2@epfhk.com.

The Board has considered the shareholders' communication policy of the Company as described above and is satisfied that there are effective channels by which shareholders can communicate and raise concern with the Company.

Report of the Directors

The Directors present their report and the audited consolidated financial statements (the "**Consolidated Financial Statements**") of the Group for the Year.

PRINCIPAL ACTIVITIES

During the Year, the principal activities of the Group included the manufacturing and trading of hair products. There were no significant changes in the nature of the Group's principal activities during the Year and up to the date of this report.

Particulars of the Company's principal subsidiaries as at 31 December 2024 are set out in note 41 to the Consolidated Financial Statements.

BUSINESS REVIEW AND OUTLOOK

A fair review of the business of the Group including a discussion and analysis of the Group's performance during the Year and the material factors underlying its financial performance and financial position as well as an indication of likely future development in the Group's business as required by section 388(2) and Schedule 5 to the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) can be found in the section headed "Management Discussion and Analysis" of this annual report. The financial risk management objectives and policies of the Group are set out in note 36 to the Consolidated Financial Statements.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board of Directors and management are aware, the Group has complied in all material respects with the relevant laws, rules and regulations that have a significant impact on the business and operation of the Group. During the Year, there was not aware of any material breach of, or noncompliance, with the applicable laws and regulations by the Group that had a significant impact on it.

RELATIONSHIP WITH EMPLOYEES

The Group has provided competitive and attractive remuneration packages to retain and motivate its capable employees and reviewed annually the remuneration package offered to the employees of the Group. Meanwhile, the Group encourages its employees on continued studies by giving subsidy to recognised development courses.

RELATIONSHIP WITH SUPPLIERS, CUSTOMERS AND OTHER STAKEHOLDERS

The Group understands the importance of maintaining good relationships with its suppliers and customers to meet its medium and long-term goals. During the Year, there were no material and significant disputes between the Group and its suppliers, customers and other stakeholders except the contractual dispute in ordinary businesses with its suppliers is still on-going under the legal proceeding during the Year.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to achieve the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavors to comply with the applicable environmental laws and regulations and to adopt effective measures to ensure the efficient use of resources and energy saving. Such initiatives include the recycling of office consumables (including toner cartridges and paper) and the adoption of energy saving measures.

During the Year, there was not aware of any material breach of, non-compliance with occupational health and safety or environmental regulations.

The details of the Company's environment policy and performance as at 31 December 2024 are set in the section headed "Environmental, Social and Governance Report" of this annual report.

RESULTS AND DIVIDENDS

Details of the consolidated loss of the Group for the Year and the Group's financial position as at 31 December 2024 are set out in the Consolidated Financial Statements and their accompanying notes on pages 102 to 193.

The Board has recommended the payment of a final dividend of HK2.8 cents per Share for the Year, totalling approximately HK$18,107,000 based on a total of 646,674,000 Shares in issue as at the date of this annual report, plus the interim dividend of HK3.0 cents per Share already declared and paid, making a total dividend of HK5.8 cents per Share (2023: final dividend of HK2.9 cents per Share and interim dividend of HK4.2 cents per Share).

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**") on payment of dividends. The objectives of the Dividend Policy are to allow shareholders of the Company to participate in the Company's profits and to attract potential investors whilst retaining adequate reserves for the Group's future growth.

The Board shall consider the following factors of the Group before declaring or recommending dividends:

- financial results;
- shareholders' interests;
- general business conditions and strategies;
- capital requirements;

- contractual restrictions on the payment of dividends by the Company to its shareholders or by the Company's subsidiaries to the Company;
- taxation considerations;
- possible effects on our creditworthiness;
- statutory and regulatory restrictions; and
- any other factors the Board may deem relevant.

The Company intends distribute no less than 20% of its net distributable profits as dividends to its shareholders for each financial year, subject to the conditions and factors as set out above.

The Board will review the Dividend Policy, as appropriate, to ensure its effectiveness from time to time.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties that may cause the Group's financial conditions or results materially different from the expected or historical results can be categorised into the following areas: (i) risks relating to the Group's business and industry; (ii) risks relating to conducting business in Bangladesh; and (iii) risks relating to conducting business in the PRC, as described below:

RISKS WITH REGARD TO LABOUR SUPPLY, INCREASED LABOUR COSTS AND OTHER FACTORS AFFECTING LABOUR SUPPLY FOR THE GROUP'S PRODUCTION

The manufacturing of hair goods is labour intensive. Labour supply is key to being able to ensure the quality of the Group's products. The Group's performance relies on the steady supply of skilled and low-cost labour in Bangladesh and the PRC. The Group's direct labour costs accounted for approximately 35.7% of its total cost of goods sold for the Year (2023: 32.1%). Labour costs are primarily affected by the demand for and supply of labour, laws and regulations governing the industries operating inside the export processing zones, and other economic factors such as the rate of inflation and standard of living. Labour costs may increase due to a shortage of skilled labour or growing industry demands for skilled workers. There is no assurance that supply of skilled workers would not be disrupted or that labour costs would not increase. As such, the Group is subject to the risks associated with labour supply and its respective costs.

RISKS WITH REGARD TO HIGHLY COMPETITIVE INDUSTRY AND COMPETITION AMONG COMPETITORS

The industry in which the Group operates is highly competitive and fragmented. Competitive factors include product quality, price, design and development capability, timely delivery, valuable service, scale and capacity, and efficiency. The Group faces competition from existing and new players in the hair goods industry worldwide, including numerous manufacturers in the PRC, Bangladesh and Indonesia which offer similar hair goods at lower prices than it does, as well as other enterprises which offer an increasing number of related products which could be used as substitutes for the Group's products. The Group's competitors conduct operations in Indonesia, Bangladesh, Cambodia or other developing countries where labour costs are relatively lower, and as a result they may adopt more competitive pricing strategies and achieve greater scales of production at lower production costs. In addition, margin pressure could arise from, among other factors, limited demand growth and overcapacity in a relevant market, price reductions by competitors, new industry players, industry consolidation, and the ability of competitors to capitalise on their economies of scale and create excess product supply.

Moreover, the entry barriers to the hair goods industry are relatively low as hair goods do not require advanced production technology and a small amount of production of these products does not require intensive capital investment. The Group therefore faces intense domestic and foreign competition in terms of production and sales. In the overseas market, enterprises located in central and southern Asian regions where hair goods may be commonly produced (for example, India and Pakistan) have been very competitive in terms of cost as they are cheap and there are abundant supplies of labour. In response to increasing labour and rental costs and tariff in the PRC, some PRC manufacturers are shifting their manufacturing bases from the PRC to various Asian countries such as Indonesia and Bangladesh.

To compete effectively, the Group may be forced, among other actions, to reduce prices, provide more sales incentives to customers and increase capital expenditures in the Group's labour force, plant, property and equipment. Any or a combination of these events may reduce the Group's profitability which could, in turn, adversely affect the Group's business, financial condition, results of operations and prospects. Any intensification of the competition or failure by us to compete successfully with the Group's competitors could have an adverse impact on the demand for, and pricing of, the Group's products, and as a result, could result in a reduction of the Group's market share and have an adverse effect on the Group's business, financial condition, results of operations and prospects.

RISKS WITH REGARD TO SIGNIFICANT RELIANCE ON SALES IN THE UNITED STATES AND OTHER INTERNATIONAL MARKETS

A significant portion of the Group's revenue is derived from international markets, in particular, the United States. For the Year, the Group derived 98.9% (2023: 98.7%) of the Group's revenue from sales outside the PRC and derived 91.5% (2023: 90.1%) of the Group's revenue from sales to the United States. As the Group relies heavily on international sales and sales to the United States, the economic conditions of these regions have had and will continue to have a significant impact on the Group's sales and business. Any significant downturn in the global economy and particularly in the local economies of the United States could have an adverse effect on the Group's business, financial condition, results of operations and prospects.

Report of the Directors

RISKS WITH REGARD TO FAILURE ON DESIGN, RESEARCH AND DEVELOPMENT OF NEW HAIR GOODS AND LOSE THE GROUP'S COMPETITIVENESS

The sales of hair goods to a specific sales market are subject to several factors, including consumers' taste, design, fashion trends and usage. There may be changes in fashion trends and consumers may have a change in preference towards certain hair goods in the future. The Group's future success depends upon the ability to address the changes in consumer trends by developing and introducing new and innovative products on a timely basis and in accordance with changing demands. The Group's market research regarding the latest trends of hair goods may be inaccurate, or the Group may fail to appreciate the change in customer preferences.

RISKS WITH REGARD TO ANY DISRUPTION IN SUPPLIERS' SUPPLY THAT COULD HAVE AN ADVERSE EFFECT ON THE GROUP'S BUSINESS, RESULTS OF OPERATIONS, FINANCIAL CONDITION AND PROSPECTS

The Group's five largest suppliers collectively supplied raw materials comprising 34.3% (2023: 42.3%) of the Group's cost of goods sold during the Year. The Group's largest supplier supplied raw materials comprising 30.1% (2023: 32.1%) of the Group's cost of goods sold. Some of the synthetic fibres that the Group uses in the manufacturing of products are not able to be readily sourced from other suppliers. If there is any decrease or disruption in supply or an increase in prices by one or more of the Group's major suppliers, particularly the Group's largest supplier, or any termination of the Group's business relationships with the Group's major suppliers and any failure to find replacement suppliers on similar or favourable terms in a timely manner, the Group's business, results of operations, financial condition and prospects could be adversely affected.

In general, the Group does not enter into any long-term supply agreements, which exposes the Group to uncertainty and potential volatility with respect to the Group's costs of raw materials and supply of raw materials. The prices of most of the Group's raw materials generally follow the price trends of, and vary with, prevailing market conditions. There is no assurance that the Group can continue to secure adequate supplies of raw materials at a competitive cost level to meet its production requirements. If the Group experiences any interruption, reduction or termination in supply of raw materials from its suppliers, or is unable to find a substitute material to meet the Group's production schedule or to produce or at all, the Group might not be able to have a stable and adequate supply of raw materials needed for the production of its products.

RISKS WITH REGARD TO POTENTIAL FINANCIAL DIFFICULTIES IF THE GROUP FAILS TO MAINTAIN SUFFICIENT WORKING CAPITAL

As at 31 December 2024, the Group recorded net cash from operating activities of HK$393.6 million (2023: net cash from operating activities of HK$384.2 million) and net cash use in financing activities of HK$378.3 million (2023: net cash used in financing activities of HK$342.9 million). During the Year, the Group had net cash from investing activities of HK$13.4 million (2023: net cash use in investing activities of HK$26.3 million). The Group had total bank and other borrowings and bank overdrafts of HK$562.3 million (2023: HK$603.7 million), out of which HK$507.2 million (2023: HK$568.6 million) will be due within one year or repayable on demand. Also, the Group had cash and cash equivalents of HK$115.7 million (2023: HK$90.6 million) and unutilised bank credit facilities of HK$182.3 million (2023: HK$140.0 million). While the Group has in the past financed its working capital needs primarily with cash generated from operating activities and borrowings, there is no assurance that the Group will always be able to generate net cash from operating activities or that banking facilities or other loans will always be available to it on commercially acceptable terms, or at all. Even if the Group is able to obtain new borrowings, any increased level of indebtedness could have a negative impact on the Group's business. For example, any increase in finance expenses could lower the Group's profitability, and the banking facilities that the Group may enter into may contain covenants limiting its flexibility in planning for, or reacting to, changes in its business. The Group may even be in breach of certain covenants in existing bank facilities by increasing its level of indebtedness.

RISKS WITH REGARD TO CONDUCTING BUSINESS IN BANGLADESH

The Group's principal manufacturing capacities are currently housed in the Bangladesh Factory. As at 31 December 2024, the Group had a total of 21,050 employees (2023: 25,371 employees) in Bangladesh. Operating in developing countries exposes the Group to risks associated with regional, political and economic instabilities that could have a disproportionately negative effect on the Group's business, financial condition, results of operations and prospects.

The application of the laws in market-emerging countries such as Bangladesh is not always clear nor consistent. The legislative drafting has not always kept pace with the demands of the marketplace, which can make it difficult to ensure that the Group is in compliance with changing legal requirements. Moreover, the government has the broad discretion in the grant of its licences and permits, including revocation for public interests. In addition, regulations are often introduced that require the Group to implement changes that are costly and technologically challenging. The regulators responsible for the control and supervision of communications services in Bangladesh frequently check the Group's compliance with the requirements of the applicable regulations. The Group may incur significant costs in implementing such compliance.

Corruption and poor governance in Bangladesh have historically been a hindrance to the Bangladesh government's ability to attract foreign investment and to reduce poverty. Failure of the Bangladesh government to continue to fight corruption or the perceived risk of corruption in Bangladesh could have an adverse effect on the Bangladesh economy, which may adversely affect the Group's business, financial condition, results of operations and prospects.

Report of the Directors

INTEREST RATE RISKS

Most of the Group's borrowings are floating-rate bank loans, which expose the Group to rising interest rates. The Group will closely monitor the interest rate risk and when appropriate adopt measures to manage the associated risk, including but not limited to, the issuance of fixed rate bonds, and use of derivatives such as interest rate swaps and management of the ratio of fixed or floating loan portfolio. The Group had not entered into any interest rate swap contract to hedge exposure to the fluctuations of floating rate bank loans during the Year. (2023: HK$Nil). During the Year, the Group had not incurred any net loss (2023: HK$Nil) from the transactions under the contract.

CURRENCY RISKS

Please refer to the section headed "Management Discussion and Analysis – Liquidity and Financial Resources – Currency Risks" in this annual report.

DIRECTORS

The Directors during the Year and up to the date of this report are:

EXECUTIVE DIRECTORS

Mr. CHANG Yoe Chong Felix *(Chairman and Chief Executive Officer)*
Mr. CHAN Kwok Keung
Ms. JIA Ziying
Mr. LI Yanbo

NON-EXECUTIVE DIRECTOR

Mr. CHAN Lau Yui Kevin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. SIN Hendrick *M.H.*
Mr. SZETO Yuk Ting
Ir. CHEUNG Siu Wa

In accordance with article 108 of the articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election. The Directors to retire every year will be those who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. By virtue of articles 108 and 111 of the articles of association of the Company, Mr. Chang Yoe Chong Felix, Mr. Li Yanbo and Mr. Szeto Yuk Ting will retire from office and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting of the Company (the "**AGM**").

DIRECTORS AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" of this annual report.

CHANGES IN INFORMATION OF DIRECTORS

Changes in information of the Directors since the publication of the interim report of the Company for the six months ended 30 June 2024, which are required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules, are set out below:

- The remuneration of Ms. Jia Ziying, an executive Director, has been increased from RMB20,933 per month to RMB77,787 per month with effect from 1 September 2024.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation in writing of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that, as at the date of this report, all of the independent non-executive Directors are independent.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the AGM has an unexpired service contract with the Company and/or any of its subsidiaries, which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees and other emoluments are supervised by the Remuneration Committee and determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Company as well as the prevailing market conditions. Details of the Directors' remuneration are set out in note 12 to the Consolidated Financial Statements.

PERMITTED INDEMNITY PROVISION AND DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

The articles of association of the Company provide that the Directors or other officers of the Company are entitled to be indemnified out of the assets of the Company against all losses and liabilities which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto, provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the Directors. The Company has arranged appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Company during the Year.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 34 headed "Related Party Transactions" to the Consolidated Financial Statements, no Director nor an entity connected with a Director had a material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

MANAGEMENT CONTRACTS

No contract of significance concerning the management and administration of the whole or any substantial part of business of the Company or any of its subsidiaries was entered into or subsisted during the Year.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the Year was the Company or any of its subsidiaries, the holding company, a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS OF SUBSIDIARIES

Other than the Directors named in the section headed "Biographical Details of Directors and Senior Management" of this annual report, the persons who had served on the boards of the subsidiaries of the Company during the Year and up to the date of this report include Mr. Chan Wing Shing, Mr. Feng Zhi Hui, Mr. Li San Tung, Mr. Hu Jianan, Mr. Li Chao, Mr. Dewan Zakir Hussain, Ms. Loretta Lo, Ms. Sujifra Luangcharoen, Mr. Chan Hau Him Howard, Mr. Quazi Ferdaus-Us-Alam, Mr. Nakayama Masashi, Mr. Satoshi Itakura, Mr. Yoshio Seko, Ms. Ma Jiaxian, Mr. Kwok Che Fai Ricky, Ms. Chan Yee Man, Mr. To Hin Pak, Mr. Stuart James Goodman, Mr. Wu Liu Kenneth, Mr. Charmpoonod Darenpope, Mr. Tsang Chiu Mo Samual, Ms. Chu Ming Tak Evans Tania and Mr. Wu Zhiyong.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the Year and up to the date of this report, none of the Directors is considered to have interests in businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

DEED OF NON-COMPETITION

Each of the controlling shareholders of the Company, namely, Mr. Chang Yoe Chong Felix, FC Management Limited, FC Investment Worldwide Limited, CLC Management Limited, CLC Investment Worldwide Limited, Golden Evergreen Limited and Evergreen Enterprise Holdings Limited, has confirmed to the Company his/its compliance with the non-competition undertakings given to the Company under the Deed of Non-competition as defined in the prospectus of the Company dated 29 June 2017.

SHARE OPTION SCHEME

On 19 June 2017 (the "**Adoption Date**"), a share option scheme (the "**Share Option Scheme**") was adopted by the Company. The following is a summary of the principal terms of the rules of the Share Option Scheme:

PURPOSE OF THE SHARE OPTION SCHEME

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

Report of the Directors

WHO MAY JOIN AND BASIS OF ELIGIBILITY

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 at a price calculated in accordance with paragraph headed "price of shares" below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, the independent non-executive Directors) from time to time on the basis of his/her contribution or potential contribution to the development and growth of the Group.

PRICE OF SHARES

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is offered, which must be any day on which the Stock Exchange is open for the business of dealings in securities (the "**Business Day**"); (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date on which the option is offered; and (iii) the nominal value of a Share on the date on which the option is offered.

MAXIMUM NUMBER OF SHARES AVAILABLE FOR ISSUE UNDER THE SHARE OPTION SCHEME

The maximum number of Shares issuable upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company (excluding, for this purpose, Shares issuable upon exercise of options which have been granted but which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company) must not in aggregate exceed 10% of all the Shares in issue as at the Listing Date, i.e. 61,500,000 Shares.

As at the date of this report, the total number of Shares available for issue under the Share Option Scheme was 61,500,000 Shares, representing approximately 9.38% of the Company's issued Share capital as at the date of this report.

MAXIMUM ENTITLEMENT OF EACH PARTICIPANT UNDER THE SHARE OPTION SCHEME

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue unless otherwise approved by the shareholders in general meeting.

TIME OF EXERCISE OF AN OPTION

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date on which the option is offered subject to the provisions of early termination thereof.

MINIMUM PERIOD FOR WHICH AN OPTION MUST BE HELD BEFORE IT CAN BE EXERCISED

There is no minimum period for which an option must be held before it can be exercised; however, the Board may, subject to the provisions of the Listing Rules, in its absolute discretion when offering the grant of an option impose any conditions, restrictions or limitations in relation thereto in addition to those set forth in the Share Option Scheme as it may think fit.

AMOUNT PAYABLE ON APPLICATION OR ACCEPTABLE OF AN OPTION

Participants of the Share Option Scheme are required to pay the Company a nominal consideration of HK$1.00 upon acceptance of the grant within seven days from the offer date.

BASIS OF DETERMINING THE EXERCISE PRICE

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date on which the option is offered, which must be a Business Day; (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date on which the option is offered; and (iii) the nominal value of a Share on the date on which the option is offered.

LIFE OF THE SHARE OPTION SCHEME

The Share Option Scheme will remain in force for a period of 10 years commencing on the Adoption Date and shall expire at the close of business on a Business Day immediately preceding the tenth anniversary thereof.

As at the date of this report, the remaining life of the Share Option Scheme is about five years and two months.

During the Year, no option has been granted or agreed to be granted under the Share Option Scheme.

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

As at 31 December 2024, the interests or short positions of the Directors and chief executives' of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

LONG POSITION IN THE SHARES OF THE COMPANY

Name of Director/ chief executive	Capacity/nature of interest	Number of Shares	Approximate percentage of issued share capital of the Company[9]
Mr. Chang Yoe Chong Felix	(i) Beneficiary of a trust/ Founder of a discretionary trust	343,369,803[1]	53.10%
	(ii) Beneficial owner	12,790,000[2]	1.98%
Mr. Chan Kwok Keung	Beneficial owner	1,000,000[3]	0.15%
Ms. Jia Ziying	(i) Beneficial owner	394,000[4]	0.06%
	(ii) Interest of spouse	100,000[6]	0.02%
Mr. Li Yanbo	(i) Beneficial owner	100,000[5]	0.02%
	(ii) Interest of spouse	394,000[6]	0.06%

Notes:

(1) These Shares are held directly by Evergreen Enterprise Holdings Limited (the "**Evergreen Holdings**"), a direct wholly-owned subsidiary of Golden Evergreen Limited (the "**Golden Evergreen**"). 49% and 51% of the issued share capital of Golden Evergreen are owned by FC Investment Worldwide Limited (the "**FC Investment**") (a direct wholly-owned subsidiary of FC Management Limited (the "**FC Management**")) and CLC Investment Worldwide Limited (the "**CLC Investment**") (a direct wholly-owned subsidiary of CLC Management Limited (the "**CLC Management**")), respectively. FC Management is directly and wholly-owned by HSBC International Trustee Limited as the trustee of a discretionary trust established on 17 February 2010 by Mr. Chang Yoe Chong Felix as the settlor for the benefit of the late Mr. Chang Chih Lung (who passed away in March 2022), Mr. Chang Ka Wai Aidan and Mr. Chang Yoe Chong Felix's issue (the "**Felix Family Trust**"). CLC Management is directly and wholly-owned by HSBC International Trustee Limited as the trustee of a discretionary trust established on 9 July 2013 by the late Mr. Chang Chih Lung as the settlor for the benefit of Mr. Chang Yoe Chong Felix and his issue (the "**CLC Family Trust**"). Accordingly, the late Mr. Chang Chih Lung ceased to be interested in the Shares and Mr. Chang Yoe Chong Felix is deemed to be interested in the Shares which are interested by HSBC International Trustee Limited under the SFO.

Report of the Directors

(2) These Shares are beneficially owned by Mr. Chang Yoe Chong Felix.

(3) These Shares were granted by the Company to Mr. Chan Kwok Keung on 16 January 2018 pursuant to the Share Award Scheme.

(4) These Shares were granted by the Company to Ms. Jia Ziying on 16 January 2018 pursuant to the Share Award Scheme.

(5) These Shares were granted by the Company to Mr. Li Yanbo on 16 January 2018 pursuant to the Share Award Scheme.

(6) Ms. Jia Ziying is the spouse of Mr. Li Yanbo. As such, Ms. Jia Ziying and Mr. Li Yanbo are deemed to be interested in each other's interest.

(7) Based on a total of 646,674,000 issued Shares as at 31 December 2024.

LONG POSITION IN THE SHARES OF THE ASSOCIATED CORPORATIONS OF THE COMPANY

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

Report of the Directors

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

Notes:

(1) Evergreen Holdings, a direct wholly-owned subsidiary of Golden Evergreen, holds approximately 54.32% of the issued share capital of the Company. 49% and 51% of the issued share capital of Golden Evergreen are owned by FC Investment (a direct wholly-owned subsidiary of FC Management) and CLC Investment (a direct wholly-owned subsidiary of CLC Management), respectively. Accordingly, each of Evergreen Holdings, Golden Evergreen, CLC Investment and CLC Management is a holding company and an associated corporation of the Company.

(2) Approximately 73.04% of the issued share capital of Evergreen Group Limited is owned by Evergreen Holdings. Evergreen Group Limited holds the entire issued share capital of Ventures Day Investments Limited. Ventures Day Investments Limited holds the entire issued share capital of each of Acemaster Ventures Limited, Cowden Ventures Limited, Fast Track Ventures Limited, Golden Image Ventures Limited, Market Focus Ventures Limited, Punchline Ventures Limited and Smart Plus Ventures Limited. Accordingly, each of Evergreen Group Limited, Ventures Day Investments Limited, Acemaster Ventures Limited, Cowden Ventures Limited, Fast Track Ventures Limited, Golden Image Ventures Limited, Market Focus Ventures Limited, Punchline Ventures Limited and Smart Plus Ventures Limited is a subsidiary of Evergreen Holdings and an associated corporation of the Company.

(3) Each of FC Management and CLC Management is directly and wholly-owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. The CLC Family Trust is a discretionary trust established by the late Mr. Chang Chih Lung (who passed away in March 2022) (the father of Mr. Chang Yoe Chong Felix) as the settlor, with Mr. Chang Yoe Chong Felix and his issue being the beneficiaries. The Felix Family Trust is a discretionary trust established by Mr. Chang Yoe Chong Felix as the settlor, with the late Mr. Chang Chih Lung, Mr. Chang Ka Wai Aidan (the son of Mr. Chang Yoe Chong Felix and a minor) and Mr. Chang Yoe Chong Felix's issues being the beneficiaries. Accordingly, Mr. Chang Yoe Chong Felix is deemed to be interested in the above associated corporations of the Company under the SFO.

(4) Evergreen Housekeepers Training Center Limited is 100% owned by Sunleaf Holdings Limited, which is 70% owned by Eastern Earnings (China) Company Limited. Eastern Earnings (China) Company Limited is 51% owned by FC Investment, which is 100% held by FC Management. Accordingly, Mr. Chang Yoe Chong Felix is deemed to be interested in the above associated corporations of the Company under the SFO.

(5) Such shares are held by Prince Orchid Limited, which is 100% owned by Mr. Chang Yoe Chong Felix.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2024, none of the Directors or the chief executives of the Company had any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

So far as the Directors are aware, as at 31 December 2024, the following corporations/persons had interests of 5% or more in the issued Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under section 336 of the SFO:

Name of shareholder	Capacity/nature of interest	Number of Shares	Approximately percentage of issued share capital of the Company[4]
Evergreen Holdings[1]	Beneficial owner	343,369,803 (Long position)	53.10%
Golden Evergreen[1]	Interest of controlled corporation	343,369,803 (Long position)	53.10%
FC Investment[1]	Interest of controlled corporation	343,369,803 (Long position)	53.10%

Report of the Directors

Name of shareholder	Capacity/nature of interest	Number of Shares	Approximately percentage of issued share capital of the Company[4]
FC Management[1]	Interest of controlled corporation	343,369,803 (Long position)	53.10%
CLC Investment[1]	Interest of controlled corporation	343,369,803 (Long position)	53.10%
CLC Management[1]	Interest of controlled corporation	343,369,803 (Long position)	53.10%
HSBC International Trustee Limited[1]	Trustee of a trust	343,369,803 (Long position)	53.10%
Ms. Wong Hor Yan[2]	Interest of spouse	356,159,803 (Long position)	55.08%
SEAVI Advent Investments Ltd. (the "**SEAVI Advent**")[3]	Beneficial owner	41,132,196 (Long position)	6.36%
SEAVI Advent Equity V (A) Ltd.	Interest of controlled corporation	41,132,196 (Long position)	6.36%
Precision Global Capital Management LLC	Beneficial owner	58,236,000 (Long position)	9.00%

Notes:

(1) Evergreen Holdings is a direct wholly-owned subsidiary of Golden Evergreen. 49% and 51% of issued share capital of Golden Evergreen are owned by FC Investment (a direct wholly-owned subsidiary of FC Management) and CLC Investment (a direct wholly-owned subsidiary of CLC Management), respectively. Each of FC Management and CLC Management is directly and wholly-owned by HSBC International Trustee Limited, the trustee of the Felix Family Trust and the CLC Family Trust. The late Mr. Chang Chih Lung ceased to be interested in the CLC Family Trust and the Felix Family Trust on 20 November 2023. Accordingly, each of Golden Evergreen, FC Investment, FC Management, CLC Investment, CLC Management, HSBC International Trustee Limited and the late Mr. Chang Chih Lung is deemed to be interested in the Shares held by Evergreen Holdings under the SFO.

(2) Ms. Wong Hor Yan is the spouse of Mr. Chang Yoe Chong Felix, and is deemed to be interested in the Shares which are interested by Mr. Chang Yoe Chong Felix under the SFO.

(3) SEAVI Advent is wholly-owned by SEAVI Advent Equity V (A) Ltd and is deemed to be interested in the Shares held by SEAVI Advent under SFO.

(4) Based on a total of 646,674,000 issued Shares as at 31 December 2024.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2024, the Directors have not been notified by any person who had interests or short position in Shares or underlying Shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

CONTROLLING SHAREHOLDER'S INTERESTS IN SIGNIFICANT CONTRACTS

Save as disclosed in note 34 headed "Related Party Transactions" to the Consolidated Financial Statements, at no time during the Year had the Company or any of its subsidiaries, and any of the controlling shareholders (as defined in the Listing Rules) of the Company or any of their subsidiaries (as the case may be) entered into any contract of significance or any contract of significance for the provision of services by any such controlling shareholders or their subsidiaries (as the case may be) to the Company or any of its subsidiaries.

CONTINUING CONNECTED TRANSACTIONS

The related party transactions as disclosed in note 34 headed "Related Party Transactions" to the Consolidated Financial Statements for the Year constitute de minimis continuing connected transactions of the Company and are fully exempted from the reporting, annual reviews, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Therefore, the Independent Auditor has not been engaged to report on such transactions in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) – "*Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*". No letter is prepared by the Independent Auditor with reference to Practice Note 740 – "*Auditor's letter on Continuing Connected Transactions under the Hong Kong Listing Rules*" issued by the Hong Kong Institute of Certified Public Accountants (HKICPA).

RELATED PARTY TRANSACTIONS

Details of the significant related party transactions undertaken in the normal course of business of the Group during the Year are provided under note 34 to the Consolidated Financial Statements.

SEGMENT INFORMATION

An analysis of the Group's revenue and contribution to results by businesses and geographical areas of the operations for the Year is set out in note 6 to the Consolidated Financial Statements.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 16 to the Consolidated Financial Statements.

SHARES ISSUED IN THE YEAR

Details of the ordinary shares issued by the Company during the Year are set out in note 29 to the Consolidated Financial Statements.

DISTRIBUTABLE RESERVES

As at 31 December 2024, the Company had reserves available for distribution to the Shareholders of approximately HK$195.8 million.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company had maintained the prescribed public float under the Listing Rules during the Year and up to the date of this report.

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

During the year, the Company repurchased an aggregate of 8,978,000 ordinary shares for an aggregate consideration of approximately HK$5.7 million (before expenses) on the Stock Exchange. The repurchased shares were subsequently cancelled. As at 31 December 2024, the total number of Shares in issue was 646,674,000. Details of the shares repurchased are as follows:

Month of repurchase	Number of ordinary shares repurchased	Highest price paid per share	Lowest price paid per share	Aggregate consideration paid
		HK$	*HK$*	*HK$ in million*
September 2024	8,978,000	0.64	0.62	5.7

The Directors were of the view that the above shares repurchased would lead to an enhancement of the net assets and/or earnings per Share and benefit the Company and the shareholders. Save as disclosed above, the Group did not purchase, sell or redeem any of the Company's listed securities during the year ended 31 December 2024.

The Company did not hold or sell any treasury shares during the year ended 31 December 2024.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the articles of association of the Company or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

PROFESSIONAL TAX ADVICE RECOMMENDED

If the Shareholders are unsure about the taxation implications of purchasing, holding, disposing of, dealing in, or the exercise of any rights in relation to the Shares, they are advised to consult an expert.

BANK BORROWINGS

Details of the bank borrowings of the Group as at 31 December 2024 are set out in note 27 to the Consolidated Financial Statements.

KEY PERFORMANCE INDICATORS ("KPI")

(I) GROSS PROFIT MARGIN

- Definition and calculation: Gross profit margin is derived by dividing gross profit by revenue for a given year.

- Purpose: The Group aims to enhance its gross profit margin. The extent to which this objective has been achieved is assessed by comparing the Group's gross profit margin from one year to the next, as it is an indicator showing the Group's profitability.

- Quantified KPI data: The gross profit margin was approximately 24.0% for the Year (2023: approximately 23.8%).

(II) NET MARGIN

- Definition and calculation: Net margin is derived by dividing loss/profit for a given year by revenue for that year.

- Purpose: The Group emphasises cost control. The net margin provides direction for a better control and utilisation of expenses. The extent to which this objective has been achieved is assessed by comparing the Group's net margin from one year to the next, as it is an indicator showing the Group's earnings from its business operations and other related activities.

- Quantified KPI data: The net margin was approximately 3.9% for the Year (2023: net margin was approximately 4.9%). The decrease in net margin was primarily attributable to: the increase in the labour cost due to the implementation of a new minimum gross wage in Bangladesh, 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 expense due to the expiry of tax holiday of income tax in Bangladesh. during the Year when compared to the year ended 31 December 2023.

(III) GEARING RATIO AND NET GEARING RATIO

- Definition and calculation: Gearing ratio is derived by dividing total interest-bearing debt (including secured bank and other borrowings and lease liabilities) by total equity as at the end of a given year. Net gearing ratio of the Group is equivalent to total interest-bearing debt (including secured bank and other borrowings and lease liabilities) net of total cash and bank balances divided by total equity as at the end of a given year.

- Purpose: The Group monitors its capital structure based on gearing ratio. Gearing ratio provides direction for the Group to optimise its financing and business development activities. The extent to which this objective has been achieved is assessed by comparing the Group's gearing ratio from one year to the next, as it is an indicator showing the Group's level of leverage.

- Quantified KPI data: The Group's gearing ratio was approximately 72.1% (2023: 72.8%) and net gearing ratio was approximately 50.1% (2023: 51.1%) for the Year. The decrease in gearing ratio was primarily due to a decrease in the bank borrowings for the Year while the decrease in net gearing ratio was primarily due to a decrease in the bank borrowings as at 31 December 2024.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions totalling approximately HK$0.2 million (2023: HK$0.5 million).

MAJOR CUSTOMERS AND SUPPLIERS

The revenue attributable to the Group's five largest customers and the largest customer accounted for 77.4% and 37.8%, respectively, of the Group's total revenue for the Year.

Purchases attributable to the Group's five largest suppliers and the largest supplier accounted for 34.3% and 30.1%, respectively, of the Group's total purchases for the Year.

None of the Directors or any of their close associates (as defined in the Listing Rules) or any shareholders of the Company (whom, to the best knowledge and belief of the Directors, own more than 5% of the Company's total issued share capital) had any beneficial interest in the Group's five largest suppliers and customers for the Year.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board of Directors and management are aware, the Group has complied in all material respects with the relevant laws, rules and regulations that have a significant impact on the business and operation of the Group. In the meantime, the Group would seek professional legal advice from its legal advisers to ensure that transactions and business to be conducted by the Group are in compliance with the applicable laws, rules and regulations.

During the Year, there was not aware of any material breach of, or non-compliance, with the applicable laws and regulations by the Group that had a significant impact on it.

ENVIRONMENTAL POLICIES AND PERFORMANCE

Acting in an environmentally responsible manner, the Group endeavours to comply with laws and regulations regarding environmental protection and to adopt effective measures to ensure the efficient use of resources, energy saving and waste reduction.

The Group has implemented some initiatives on office consumables (including toner cartridges and paper) to minimise the operational impact on the environment and natural resources.

The Group will review its environmental practices from time to time and will implement further eco-friendly measures and practices to closely enhance environmental sustainability.

During the Year, there was not aware of any material breach of, non-compliance with occupational health and safety or environmental regulations.

The details of the Company's environment policy and performance as at 31 December 2024 are set in the section headed "Environmental, Social and Governance Report" of this annual report.

RELATIONSHIPS WITH THE GROUP'S EMPLOYEES

The Group believes that employees are important and valuable assets. The Group will provide trainings for employees to enhance their knowledge in corporate values and culture and to implement them thoroughly. Meanwhile, the Group encourages staff on continued studies by giving subsidy to recognised development courses. The Group also aims to provide competitive and attractive remuneration packages to retain and motivate its capable employees. Management reviews annually the remuneration package offered to the employees of the Group. Meanwhile, for the purpose of providing incentives and rewards to eligible participants who have contributed to the success of the Group's operations, the Company has adopted the Share Option Scheme, details of which are set out in the sub-section headed "Share Option Scheme" in this annual report.

RELATIONSHIPS WITH THE GROUP'S CUSTOMERS AND SUPPLIERS

The Group understands the importance of maintaining good relationships with its suppliers and customers to meet its medium and long-term goals. The Group aims at delivering high quality products to its customers and developing mutual trust and enhancing communication and commitment between the Group and its suppliers to maintain sustainable growth.

During the Year, there were no material and significant disputes between the Group and its customers and other stakeholders except the contractual dispute in ordinary businesses with its suppliers is still on-going under the legal proceeding.

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 2024 and up to the date of this report.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the section headed "Corporate Governance Report" of this annual report.

EQUITY-LINK AGREEMENT

For the Year, the Company has not entered into any equity-link agreement, save for options that can be granted under the Share Option Scheme. As at 31 December 2024, no option had been granted under the Share Option Scheme.

REVIEW BY AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely, Mr. Sin Hendrick *M.H.* (chairperson), Mr. Szeto Yuk Ting and Ir. Cheung Siu Wa. The Audit Committee has reviewed with the management of the Company the audited Consolidated Financial Statements for the Year.

INDEPENDENT AUDITOR

The Consolidated Financial Statements for the Year have been audited by Deloitte who will retire at the forthcoming AGM.

On Behalf of the Board

Chang Yoe Chong Felix
Chairman and Chief Executive Officer

Hong Kong, 21 March 2025

Environmental, Social and Governance Report

ABOUT THE REPORT

This Environmental, Social, and Governance ("**ESG**") report (the "**Report**") is published by Evergreen Products Group Limited ("**Evergreen**," "**We**," or collectively with its subsidiaries, the "**Group**") to disclose relevant information about our ESG activities and practices.

REPORTING BOUNDARY

This Report covers the environmental and social performances of principal operations in the manufacturing, distribution, and retail business of hair products, which include:

(1) the Group's head office in Hong Kong;

(2) the trading business and relevant services (collectively, the "**Trading Business**") of hair products, in the United States; and

(3) the manufacturing business of hair products and relevant services (the "**Manufacturing Business**") in the PRC and Bangladesh.

REPORTING PERIOD

This Report describes the ESG activities, challenges and measures taken by the Group during the period from 1 January 2024 to 31 December 2024. (the "**Reporting Period**," "**FY2024**," or "**2024**").

ACCESS OF THIS REPORT

This ESG Report is available in both printed and online versions. The online version is available on the Stock Exchange's website (www.hkexnews.hk) and the Group's website (www.epfhk.com).

This Report is published in both English and Chinese versions. Should there be any discrepancies between the two versions, the English version shall prevail.

REPORTING FRAMEWORK

This Report has been prepared in accordance with the mandatory disclosure requirements and "comply or explain" provisions of the ESG Reporting Guide (the "**ESG Reporting Guide**") as set out in Appendix C2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Please refer to the Stock Exchange Content Index in this Report for information on the location of specific disclosures.

Environmental, Social and Governance Report

REPORTING PRINCIPLES

In the process of preparation of this Report, the Group has adhered to the reporting principles stipulated in the ESG Reporting Guide.

Materiality	A materiality assessment was conducted to identify material issues during the Reporting Period, thereby acknowledging the material issues as the focus for preparation of this ESG Report. Please refer to the sections headed “Stakeholder Engagement” and “Materiality Assessment” for further details.
Quantitative	Supplementary notes are added alongside quantitative data disclosed in this ESG report to explain any standards, methodologies, and sources of conversion factors used during the calculation of emissions and energy consumption.
Consistency	The preparation approach of this ESG Report is substantially consistent with the previous year, and explanations were provided regarding data with changes in the scope of disclosure or calculation methodologies.
Balance	This ESG Report is completed based on fact and actual data disclosure to avoid biased judgement and misleading information to the report readers.

FORWARD-LOOKING STATEMENT

This ESG Report contains forward-looking statements which are based on the current expectations, estimations, projections, beliefs, and assumptions of the Group about the businesses and the markets in which it operates. These forward-looking statements are not guarantees of future performance and are subject to market risks, uncertainties, and factors beyond the control of the Group. Therefore, actual outcomes may differ from the assumptions made and the statements contained in this Report.

CONFIRMATION AND APPROVAL

This Report was endorsed by the ESG Working Group and approved by the board of directors (the “**Board**”) of the Group.

CONTACT AND FEEDBACK

Should you have any enquiry on this Report, please kindly contact us by email at info2@epfhk.com.

BOARD STATEMENT AND ESG GOVERNANCE STRUCTURE

BOARD STATEMENT

The Board is responsible for overseeing and ensuring accountability for the Group's sustainability strategy, including its management, performance, and reporting. The Board communicates its top-level commitment across the organisation, endorses the governance framework, and defines a clear agenda for the path to sustainability. Furthermore, it clearly stipulates the Group's sustainability objectives, strategies, priorities and initiatives. It periodically assesses its targets, and progress, as well as the corresponding policies that support their achievement. Moreover, the Board strengthens transparency each year via supervision of the annual sustainability reporting.

The Board

- Develop ESG goals in short, medium, and long-term.
- Identify risks and opportunities and implement its business strategy for goal achievement.
- Develop environmental protection and social sustainability strategies.
- Ensure the development and effectiveness of the Group's ESG policies and measures.

ESG Working Group

- Formed a designated team within each business unit to address ESG issues, responsible for daily operation, monitoring, evaluating, and reporting to the Board.
- Identify risks and opportunities in relation to ESG issues within each business unit.
- Liaise with different business units regarding material ESG issues.

ESTABLISHMENT OF ESG WORKING GROUP

The Group has established an ESG Working Group, composed of core members from different business units, to manage ESG issues. This ESG Working Group gathers information related to our ESG initiatives to help prepare the ESG Report. It reports to the Board and assists in identifying and evaluating the Group's ESG risks, as well as assessing the effectiveness of internal control mechanisms.

The ESG Working Group also examines and evaluates our performances in different ESG-related goals and targets such as environment, health and safety, labour standards and product responsibilities. Aligned with direction set by the Board, the ESG Working Group ensures the execution of various ESG-related strategies and policies.

Environmental, Social and Governance Report

STAKEHOLDER ENGAGEMENT

The Group recognises the significance of effective stakeholder engagement and collaboration. As the operations involve a variety of stakeholder groups, their inputs are instrumental in allowing the Group to respond promptly to sustainability challenges and opportunities. The feedback from stakeholders of different backgrounds also helps the Group understand the ever-changing market demands and global sustainability trends. This, in turn, allows the Group to make informed decisions regarding its sustainability practices, initiatives, and disclosures.

The Group has established multiple feedback and communication channels to understand the views of key stakeholders who significantly impact or have close relationships with the Group's business. The following are the communication channels established between the Group and stakeholders, as well as stakeholders' main concerns.

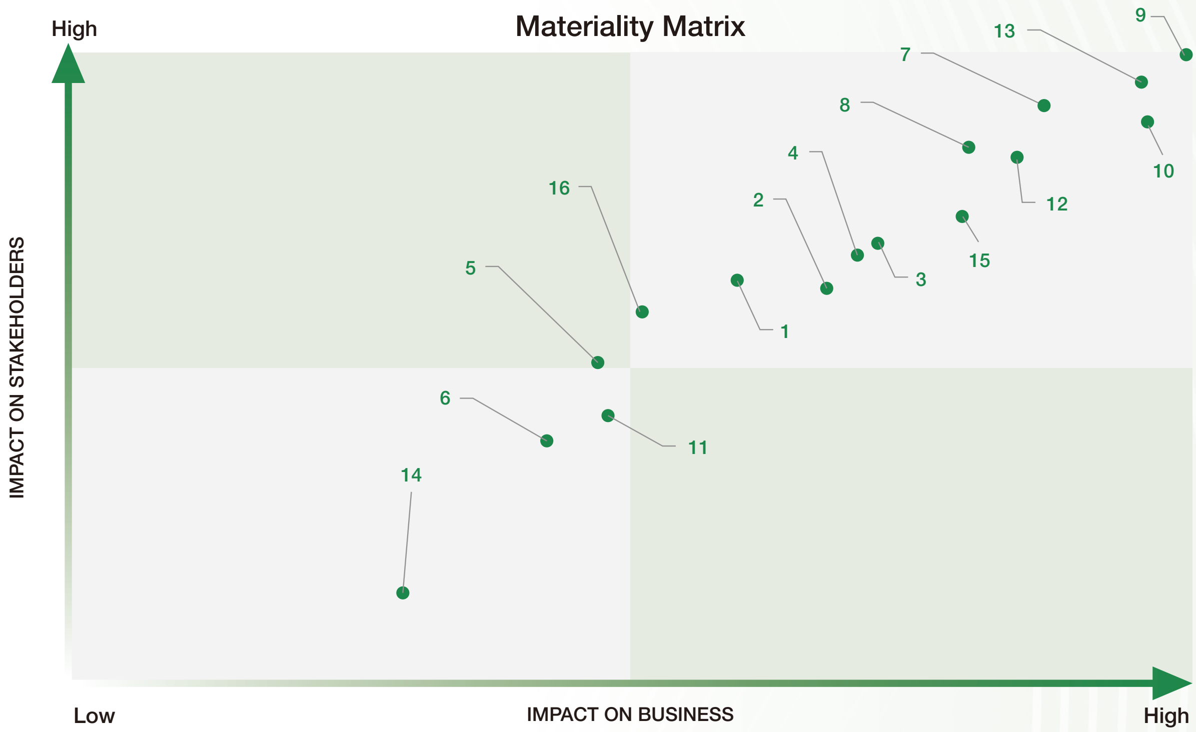
Stakeholders	Expectations and Concerns	Communication Channels
Government and Regulatory Authorities	• Compliance with laws and regulations • Pay taxes according to law • Implement relevant regulatory policies	• Policy guidance • Supervision of compliance • Routing reports and taxes paid
Suppliers/Business Partners	• Fair and open procurement • Win-win cooperation	• Open tendering • Purchase reviews • Business exchange and cooperation • Supplier screening and rating • Face-to-face meetings and onsite visits
Customers	• High quality products and services • Protect the rights of customers	• Product promotion • Sales reviews • Customer service hotline and email
Shareholders	• Sound risk management • Effective and transparent disclosure • The ability to continuously create value • Return on investment	• Regular meetings • Regular reports and announcements • Routing communication • Official website
General publics (i.e., media, NGO, local communities)	• Involvement in communities • Business compliance • Environmental protection awareness	• Actively carry out various charitable • Media conferences and responses to enquiries • Investment on communities • Public welfare management
Employees	• Health and safety in the working places • Employees compensation and benefits • Fair career development opportunity	• Regular meetings and training • Emails, notice boards, hotline, caring activities with management

MATERIALITY ASSESSMENT

In FY2024, the Group conducted a materiality assessment survey by inviting key stakeholders to participate. Material ESG issues are determined by the contribution of internal and external stakeholders. The Group's management selected and invited key stakeholders to provide feedback on a list of material ESG issues.

Through the materiality assessment survey, the Group has a better understanding of the significance of impacts of each material ESG issue on stakeholders and on the business, allowing the Group to gain a better understanding of its key issues and to identify risks and opportunities.

The matrix below shows the prioritisation of material ESG issues of the group, ranked by their relative importance.



1. Waste Management
2. Emission Management
3. Water Resource Conservation and Wastewater Treatment
4. Resource Usage Management
5. Utilization of Environmentally-Friendly Materials
6. Climate Change Risk
7. Employment Practices
8. Employees' Rights and Benefits
9. Employees' Health and Safety
10. Prohibition of Child Labour and Forced Labour
11. Sustainable Procurement and Supply Chain Management
12. Technological Advancement
13. Product and Service Quality
14. Advertising and Labeling
15. Anti-Corruption
16. Social Welfare and Charity

The Group reviewed the materiality assessment results and considered that the said result is applicable to the Group. The Group will continuously monitor its business operations and its ESG performances.

Environmental, Social and Governance Report

A. ENVIRONMENTAL

The Group understood the importance of protecting the environment and established business strategies environmental consciousness. In FY2021, the Group set clear and measurable environmental KPIs, designating 2031 as the target year. These KPIs serve as reference points for monitoring our progress. The latest update on our advancements is as follows:

Aspects	2021 (Base Year)	2031 Targets (Against Base Year)	2024 Results
Energy consumption intensity MWh/employee	**1.19**	**↓ 5%**	***1.86 (in process)***
Water consumption intensity m^3/employee	**17.00**	**↓ 10%**	***16.23 (in process)***
GHG emissions intensity tCO_2e/employee	**0.58**	**↓ 5%**	***0.87 (in process)***

The Hong Kong SAR Government announced the Climate Action Plan 2050 with decarbonization strategies covering "Net-zero electricity generation", "Energy Saving and Green Buildings", "Green Transport" and "Waste Reduction" for reaching carbon neutral before 2050. The Group has taken responsive measures to contribute to a zero-carbon economy in the focused areas recommended by the Hong Kong SAR Government.

A1. EMISSIONS

The Group is looking at how it uses energy in its operations to help meet the goals of the Paris Agreement, which aims to keep the average global temperature rise below 1.5°C compared to pre-industrial levels. Reducing emissions and using energy efficiently and responsibly are essential to achieving this global goal.

The Group strictly complies with the related environmental protection laws and regulations. During the Reporting Period, the Group was not aware of any non-compliance with relevant laws and regulations that might have a significant impact on the Group relating to exhaust gas and greenhouse gas ("**GHG**") emissions, discharges into water and land, and generation of hazardous and non-hazardous waste.

Air Emissions

Vehicle fuel consumption is a significant contributor to the Group's air pollution. The exhaust produced includes nitrogen oxides ("NOx"), sulphur oxides ("SOx"), and particulate matter ("PM"). To reduce air emissions, the Group has established effective practices to improve air quality:

- Reduce in-person meetings by advocating the utilisation of electronic online meetings.
- Take public transport during business trips under normal circumstances.
- Conduct regular vehicle inspections and maintenance to enhance vehicle efficiency.
- Phase-out substandard vehicles and consider electric vehicles in future purchase.
- Switch off the engine when idles.

During the Reporting Period, the Group's exhaust gas emissions performance was as below:

Indicators	Unit	FY2024	FY2023
Type of Air Emissions			
– SOx	kg	**6.80**	5.09
– NOx	kg	**4,444.66**	3,120.00
– PM	kg	**436.88**	307.08

Environmental, Social and Governance Report

GHG Emissions

The major sources of the Group's GHG emissions are direct GHG emissions (Scope 1) from petrol and diesel consumption of company-owned vehicles and machinery used at the operation sites and indirect GHG emissions (Scope 2) from electricity at the office.

In FY 2024, the Group's GHG emissions performance was as follows:

Indicators	Unit	FY2024	FY2023
GHG Emissions[1]			
Scope 1: Direct emissions	Tonne CO_2e	**3,061**	3,296
– Petrol			
– Diesel			
– Coal			
Scope 2: Energy indirect emissions	Tonne CO_2e	**14,810**	15,213
– Purchased electricity			
Scope 3: Other indirect emissions[3]	Tonne CO_2e	**578**	723
GHG Removal (Scope 1)	Tonne CO_2e	**(1.91)**	(1.91)
Total GHG emissions	Tonne CO_2e	**18,447**	19,230
Intensity[2]	Tonne CO_2e/employee	**0.87**	0.75

Notes:

(1) GHG emission data is presented in terms of carbon dioxide equivalent and are based on, but not limited to, "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards" issued by the World Resources Institute and the World Business Council for Sustainable Development, "How to prepare an ESG Report – Appendix II: Reporting Guidance on Environmental KPIs" issued by the HKEX, the latest released average carbon dioxide emission factor for national electricity in China, published by the Ministry of Ecology and Environment in December 2024, and the "CLP 2023 Sustainability Report" published by CLP Holdings Ltd, the latest released emission factors of US Environmental Protection Agency ("**EPA**").

(2) As of 31 December 2024, the Group had a total of 21,257 employees (2023: 25,611 employees). The data is also used for calculating other intensity data.

(3) Scope 3 GHG emissions comprises emissions from paper waste disposed at landfills, energy used for processing fresh water and sewage.

The measures taken for reducing GHG emissions from vehicles (Scope 1) were described under the above section headed "Air Emissions".

Environmental, Social and Governance Report

Electricity consumption is the primary source of indirect energy and indirect greenhouse gas (GHG) emissions (Scope 2). To address this, proactive measures have been implemented, including energy-saving initiatives and improvements in energy efficiency:

- The concept of green office is introduced and started with the use of LED light bulbs. Energy saving working culture is promoted to encourage employees to reduce electricity consumption such as turning-off light once they leave the room.
- Temperature control for air-conditioner is set at the range from 24–26°C to reduce electricity consumption.
- Employees are encouraged to use public transport to minimise unnecessary use of private transport.

In pursuit of carbon neutrality, fossil fuels are expected to be phased out due to stricter government regulations. The Group is developing a transitional business plan to shift from fossil fuels to renewable energy sources, such as solar panels, to reduce GHG emissions.

During the Reporting Period, a large-scale planting scheme was launched in our Group's factories located at Kunming, Yunnan Province of PRC. Around 167 trees were planted to enhance the value of the natural environment and improve air quality. Out of these, 82 trees were over 5 meters in height and qualified for Scope 1 GHG removal. We are one of the few local businesses that have taken this measure to reduce our carbon footprint.

The Group will keep working on different measures to reduce air and greenhouse gas emissions, with an emphasis on incorporating decarbonisation strategies.

Waste Management

The Group's waste management system focuses on properly managing, controlling, and disposing of waste materials. This system is based on key principles that stress the importance of reducing waste at its source, using more sustainable materials when possible, reusing items whenever we can, and recycling only as a last option when no other choices are available. Through adherence to these principles, the Group strives to enhance its sustainability efforts and mitigate the environmental impact of its operations. The Group seeks to redesign its products, systems, and services to deploy resources in more durable, reusable, repairable, and recyclable ways. The Group ensures that its employees embrace the challenge of circularity, focus on transforming waste of today into productive inputs for tomorrow.

Environmental, Social and Governance Report

Non-hazardous Waste

The Group's non-hazardous waste includes waste packaging materials and fabrics, which are collected and stored at designated areas onsite and handled by local sanitary stations, or waste handling companies under the signed agreement. Waste management guidelines were devised to enable sound waste and effluent management. The Group also collaborates with external parties to improve its materials management, including the engagement of licensed contractors to manage the disposal of waste.

The Group strives to minimise the amount of non-hazardous waste with the integration of "4R Concept of Sustainability – Reduce, Replace, Reuse and Recycle".

Reduce Reducing waste at the source

Replace Replacing materials with sustainable alternatives

Reuse Reusing wherever possible

Recycle Recycling when there is no other option or replacement

Hazardous Waste

The Group handles its hazardous waste very carefully. This mainly includes dangerous wastewater, sludge from the on-site wastewater treatment facility ("**WWTF**"), used chemical containers, and used oil. Hazardous wastes are temporarily stored in a specified location and then collected by licensed contractors.

Indicators	Units	FY2024	FY2023
Hazardous waste	Tonnes	**0.00**	0.00
Intensity[2]	Tonnes/employee	**<0.01**	<0.01
Non-hazardous waste	Tonnes	**397.32**	195.26*
Intensity	Tonnes /employee	**0.02**	<0.01

Note:

* The data has been restated due to an updated calculation model.

Wastewater Discharge

As said, hazardous wastewater generated from production process is collected and stored in a designated area, where it will be handled by licensed hazardous waste collectors. Non-hazardous wastewater arises from both the manufacturing process and domestic sanitary use. Industrial wastewater from manufacturing is treated onsite by the wastewater treatment facility ("**WWTF**") owned by the production plants and then recycled. For domestic wastewater from daily sanitary activities, it is discharged directly into the municipal drainage system.

Indicators	Units	FY2024	FY2023
Non-hazardous wastewater discharge	m^3	**345,166**	286,522
Intensity[2]	m^3/employee	**16.23**	11.19
Hazardous wastewater discharge	m^3	**10.26**	7.13*
Intensity[2]	m^3/employee	**<0.01**	<0.01
Wastewater discharge intensity[2]	m^3/employee	**16.23**	11.19

Note:

* The data has been restated due to an updated calculation model.

The Group has implemented the following measures to manage wastewater discharge:

- Establishing a sewage treatment monitoring process to ensure compliance with national standards;
- Reusing shampoo and controlling the usage of fresh water to reduce the amount of wastewater generated; and
- Recycling treated wastewater for other purposes such as plants watering, floor cleaning, landscaping and toilet flushing.

Environmental, Social and Governance Report

"4R" Water Recycling

In 2021, the Chinese Government announced a plan for industrial wastewater recycling. The plan included specific targets for industrial water recycling rates, with a main target of the plan to achieve a recycling rate of 94% by 2025. To comply with relevant regulation, the Group has formulated "Water Treatment Scheme" to reduce wastewater discharge through applying "4R concept of Sustainability" to Reduce, Reuse, Recycle and Repurpose wastewater.

REDUCE: To reduce all wastewater from dyeing process through the Group's "Water Treatment Scheme".

REUSE: To reuse the wastewater for other purpose after the purification process.

RECYCLE: To recycle all wastewater from the dyeing process by dosing chemicals and carbon ore to the untreated effluent for removing the impurities in water.

REPURPOSE: Recycled water can be used for landscaping, cleaning and sanitation to minimise freshwater consumption.

The Group aims to reduce waste disposal and freshwater consumption by recycling wastewater from all dyeing processes through these water treatment programs and reusing the recycled water for various purposes. Water consumption intensity is expected to be reduced by 10% by 2031.

A2. USE OF RESOURCES

The Chinese government enacted the National Energy Conservation Law to reduce energy consumption across all sectors by promoting energy efficiency. This initiative emphasizes both economic and social development, highlighting the positive economic value of energy efficiency. While Bangladesh Government has enacted the First National Energy Policy aiming at ensuring proper exploration, production, distribution and rational use of energy resources to the growing demands of different zones, sectors and groups. In response to the energy conservation regulations, the Group implemented "Energy Saving Measures" to reduce energy consumption. The Group believes this does not only reduce carbon footprint but also bring positive financial and culture impacts on the Group in the long-term.

Energy Management

Recognizing energy consumption as the primary source of the Group's GHG emissions, the Group actively seeks to manage and optimise energy use systematically. Electricity used in the office is the main type of energy consumption in its operations. The Group closely monitors its energy usage to ensure it minimises consumption. Additionally, the Group's Hong Kong office participates in various energy-saving initiatives organised by NGOs, including "Earth Hour" by WWF and "No Air Con Night" by Green Senses.

Environmental, Social and Governance Report

Electricity

The Group's electricity consumption mainly comes from its offices and plants. To improve efficiency and promote environmental conservation, the Group plans to implement the following energy-saving measures:

- Replacing traditional lightings with LED lightings.
- Replacing obsolete equipment with energy-saving or variable frequency equipment.
- Turning lights, computers, and air conditioning system off if they are not in use.
- Defaulting temperatures of air conditioners by season at optimum level.

Coal

Coal has been the primary source of energy for the boilers. To promote efficient energy use, the Group is implementing measures to reduce coal consumption and increase the use of cleaner energy in boiler operations. Actively exploring alternative solutions, the Group is committed to sourcing renewable energy to replace fossil fuels like coal in the long run.

Petrol and Diesel

The primary source of petrol consumption is vehicles, while diesel is used by both the Group's vehicles and manufacturing operations, such as backup generators. The Group aims to minimise energy consumption by promoting a green culture. Employees are encouraged to use public transport, hold virtual meetings, and source materials locally to reduce unnecessary energy usage from transportation.

The Group's energy consumption is as follows:

Indicators	Units	FY2024	FY2023
Total Direct Energy Consumption	MWh	**13,492**	14,375
– Diesel	MWh	**6,353**	5,377
– Petrol	MWh	**84**	78
– Coal	MWh	**7,054**	8,922
Total Indirect Energy Consumption	MWh	**26,048**	26,734
– Purchased electricity	MWh	**26,048**	26,734
Total Energy Consumption	MWh	**39,540**	41,111
Intensity[2]	MWh/employee	**1.86**	1.61

Environmental, Social and Governance Report

Water Management

The Group's major water consumption during FY2024 is attributed to production processes and sanitary purposes.

Indicators	Units	FY2024	FY2023
Water Consumption	m^3	**360,806**	331,414
Intensity[2]	m^3/employee	**17**	13

To promote a mindset of water conservation, the Group has implemented several effective measures. Regular inspections and maintenance of water consumption facilities are carried out to prevent leaks. Additionally, water conservation slogans and posters are displayed to raise employee awareness. The Group has also installed water-saving and flow-controlling faucets to reduce water output. Moreover, wastewater is recycled for various purposes, including cleaning, landscaping, and sanitation.

During the Reporting Period, the Group encountered no issues in sourcing water for its operations, as the regions where it conducts business do not face water stress.

Packaging Materials and Raw Materials

The main packaging materials used by the Group include cardboard, carton boxes and self-manufactured polyethylene film bags. The raw materials for its products are mainly hair, fibers and plastic. Paper products are the predominant type of packaging used by the Group. In the future, the Group will strive to use environmental-friendly raw materials to reduce its impact on nature.

Indicators	Units	FY2024	FY2023
Production Main Materials			
– Paper products (for packaging)	Tonnes	**4,369**	4,992
– Plastic (for packaging)	Tonnes	**548**	788*
– Fibre	Tonnes	**6,479**	5,664
– Hair	Tonnes	**21**	42
Total	Tonnes	**11,417**	11,486*

Note:

* The data has been restated due to an updated calculation model.

A3. THE ENVIRONMENT AND NATURAL RESOURCES

As a responsible corporate citizen, the Group is dedicated to protecting both the planet and the community. To comply with the Environmental Impact Assessment (EIA) Law of the PRC, the Group conducted environmental impact assessments and obtained the necessary environmental certificates for its manufacturing projects in Mainland China. In addition to pursuing business growth, the Group prioritises environmental protection, aiming to prevent biodiversity degradation and minimise any harm to the surrounding environment resulting from its activities.

During the Reporting Period, our Group launched a large-scale planting initiative at our factories in Kunming, Yunnan Province, PRC, planting approximately 167 trees to enhance the natural environment and improve air quality. Among these, 82 trees reached heights exceeding 5 meters, contributing to greenhouse gas removal by assimilating carbon dioxide into biomass. This initiative aids in carbon dioxide absorption and promotes biodiversity conservation while maintaining a balanced ecosystem. Our sustainable business strategy emphasises growth alongside efforts to preserve the natural environment and its resources.

A4. CLIMATE CHANGE

Climate Crisis

Extreme weather events are happening more often, and their harmful effects are impacting people all over the world. Because the modern world is so connected, climate disasters affect everyone, not just specific areas. These serious climate changes require urgent action to reduce carbon emissions and carbon footprints.

To tackle this climate challenge, the Group is actively looking for ways to lessen its impact on the environment and reduce its carbon footprint. By following clear operational standards, the Group aims to ensure its activities do not harm the environment or natural resources whenever possible. Key focus areas include reducing waste, saving energy, and conserving water. Moving forward, the Group will adopt circular approaches to production and consumption, aiming to create more value while using fewer resources by minimizing waste at the source and leveraging new technologies.

Environmental, Social and Governance Report

Climate risks	Potential impacts	Mitigation Strategy
Transitional Risks	***Legal and Compliance*** • Stricter environmental policies and heavier fines imposed by the government and regulatory authorities are expected. • Higher protection standard leads to higher cost in environmental aspect such as environmental assessments are required such as the Law of the PRC on Evaluation of Environmental Effects in China and Bangladesh Environmental Conservation Act, 1995.	• Issued Environmental Impact Assessment (EIA) for the construction of manufacturing factories in Mainland China and obtained the Environmental Clearance Certificate (ECC) from the Department of Environment at Bangladesh to meet the regulatory requirement. • Regular license renewal to ensure the factories meet the pollution ordinance in corresponding jurisdictions and to avoid legal liabilities and disruption of operation. • Set ESG goals regarding reduction in GHG Emissions by FY2031 with FY2021 as base year for comparison.
	Technology • Fossil fuels is expected to be phased out in the future under strict environmental regulation. • Sourcing alternative energy source is important as the Group's operation relies heavily on fossil fuel consumption in manufacturing and vehicle usage.	• Work on the transitional plan of business model with the shift from fossil fuel to renewable energy such as solar panel. • The marginal cost of using renewable energy will be lower in long term and bring positive impact on the Group's cost of goods and service.
	Market and Reputation • Consumer preferences are expected to change as the public is more concerned about well-beings and the environment is closely related to personal health issues.	• The plan of introducing renewable energy is believed to gain merit on the Group's reputation, which would attract more potential customers and future business.

Climate risks	Potential impacts	Mitigation Strategy
Physical Risks	***Acute Risks*** • Bangladesh is a low-lying, riparian country with a large, marshy jungle coastline. • Bangladesh has a subtropical monsoon climate and is subject to seasonal rainfall, floods, tropical cyclones, tornadoes, and tidal bores every year. • Climate change would incur more frequent precipitation events and higher chance of flooding leading to disruption of communication systems, traffic interruption, operation of factories and cause depreciation of machines.	• Set up insurance coverage to minimise financial loss caused by climate-related accidents. • Implemented contingency plan to report emergency and offer guidance for evacuation drills to protect employees' safety.
	Chronic Risks • Sustained increase in temperature and rise in sea level	• Keep identifying the risks caused by and will formulate related policy to minimise the impact on the Group's business.

Environmental, Social and Governance Report

B. SOCIAL

B1. EMPLOYMENT PRACTICES

Human capital is the Group's most valuable asset and core competitive advantage. It serves as the basis for the sustainable development of the Group. Therefore, the Group is committed to refining its employment policies to attract, develop and retain talents. We prioritise a people-focused approach, respecting and protecting all employees' rights and interests, and we have policies in place to ensure their health and safety at work.

The HR department has created detailed policies and procedures for managing human resources and payroll, as well as for the hiring process and employment conditions. During FY2024, the Group was not aware of any non-compliance with relevant laws and regulations relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti- discrimination, and other benefits and welfare.

As of 31 December 2024, the Group's breakdown of employee profile was as below:

	FY2024	FY2023
Total number of employees	**21,257**	25,611
By Gender		
– Male	**5,918**	6,804
– Female	**15,339**	18,807
By Age Group		
– 18–25	**6,799**	9,851
– 26–35	**11,181**	12,307
– 36–45	**3,031**	3,181
– 46–55	**200**	219
– 56 or above	**46**	53
By Geographic Area		
– Mainland China	**146**	179
– Hong Kong	**55**	54
– Bangladesh	**21,050**	25,371
– the United States	**6**	7
By Employment Type		
– Full-time	**21,257**	25,609
– Part-time	**0**	2

Environmental, Social and Governance Report

The table below shows the employee turnover rate categorised by gender, age group and geographical region:

Employee Turnover rate (%)	FY2024	FY2023
Total number of employees	**55%**	59%
By Gender		
– Male	**55%**	78%
– Female	**56%**	53%
By Age Group		
– 18–25	**104%**	75%
– 26–35	**36%**	50%
– 36–45	**24%**	49%
– 46–55	**14%**	20%
– 56 or above	**9%**	6%
By Geographic Area		
– Mainland China	**3%**	0%
– Hong Kong	**9%**	4%
– Bangladesh	**56%**	60%
– the United States	**17%**	57%

Recruitment and Promotion

The Group helps employees grow in their careers to keep talented people. We review promotions every year and have clear performance goals for evaluations done in July and December. This process includes self-assessments and feedback from supervisors. It aims to improve communication between employees and the Group and considers aspects such as job confirmations, promotions, rewards, transfers, job changes, training, and personal growth opportunities.

Employees are regularly assessed on their work and skills, which helps them improve and strengthens the team. This also sets the stage for future promotions and training. We encourage promoting from within to give employees more chances to reach their full potential.

Working Hours and Rest Periods

The Group has set up a Staff Attendance System to guide working hours and rest periods, including lunch breaks, for employees. We promote work-life balance and a healthy lifestyle while protecting employees' rights through policies that ensure they receive basic paid leave and statutory holidays as required by local employment laws. Employees have various leave options, including annual leave, marriage leave, sick leave, maternity leave, and compassionate leave.

Environmental, Social and Governance Report

Anti-Discrimination, Equal Opportunity, and Diversity

The Group understands the value of diverse perspectives, experiences, and ideas. A diverse and inclusive work environment enhances employee engagement, which is crucial for the organization's growth. The Group strives to create an inclusive team that reflects the diversity of its customer base.

The Group values individuals from diverse cultures and backgrounds. As outlined in the Employee Handbook, we have a zero-tolerance policy for discrimination based on race, color, national or social origin, religion, age, disability, sexual orientation, gender, or any other status. All talent management decisions, including recruitment, promotions, evaluations, and terminations, are made based on the same principle of equality. The Group is committed to fostering a harmonious workplace culture by enhancing communication and eliminating discrimination.

Labour Benefits and Welfare

Fair pay and fair benefits play a key role in employee satisfaction, team morale, and overall performance. The Group provides a comprehensive and competitive remuneration and benefits package, regularly reviewing it to align with market changes. We offer attractive benefits to our employees, designed according to local laws and regulations, including various leave entitlements mentioned earlier. Additionally, we provide employee dormitories to cut down on commuting time and improve rest periods.

Compensation and Dismissal

The Group maintains a valid insurance policy to cover liabilities under the Employees' Compensation Ordinance for work-related injuries. Our employees are protected by work compensation insurance and are required to notify their supervisors and the HR Department immediately in the event of an injury.

The Group safeguards employees' rights in accordance with relevant regulations. We strictly prohibit unfair or unreasonable dismissals, and employment contracts will only be terminated if employees do not meet established performance criteria. Feedback is collected through Employee Exit Surveys to ensure continuous improvement.

B2. HEALTH AND SAFETY

The Group is committed to providing a safe and healthy working environment for our employees. To enhance working conditions, we have established a range of policies that comply with relevant occupational health and safety regulations in the respective jurisdictions. This includes adherence to the Prevention and Control of Occupational Diseases Law of the PRC, the Production Safety Law of the PRC, and the Bangladesh Labour Act (Amendment) 2023. Additionally, the Group has set up a Health and Safety Committee to oversee and promote these initiatives.

Occupational Health and Safety

The Health and Safety Committee meets regularly to address key issues and update procedures for a safe workplace. Employees receive occupational health and safety training, and new hires must complete fire-fighting training. Factory workers have refresher training twice a year, including evacuation drills and fire-fighting equipment operation. Safety equipment is placed in designated areas, and maintenance staff conduct regular inspections to ensure proper functioning. The Group assesses health and safety risks, identifying production lines and storage areas as high-risk zones. In response, we provide safety training to prevent electrocution and include our emergency plan in risk assessments, reviewing it annually for compliance.

To further enhance safety, we have implemented the Chemical Safety Precautions and Hygienic Plan. Employees are instructed to handle labeled chemicals carefully and wear protective gear such as goggles, aprons, boots, and gloves. Maintaining a clean workplace and preventing leaks are emphasised to reduce contamination risks. Employees are encouraged to practice self-discipline and stay attentive, especially when operating machinery, to prevent injuries. Additionally, circuit breakers should be removed when machines are not in use to prevent overheating accidents.

In FY 2024, the Group was not aware of any non-compliance with all relevant laws and regulations that would have a significant impact on the Group relating to providing a safe working environment and protecting employees from occupational hazards. During the Reporting Period, the Group sadly recognised that a worker passed away unexpectedly due to illness at working floor. In response, we have enhanced our health and safety measures by adding regular health check-ups, emergency training, and wellness programs to create a safer workplace and support our employees' well-being.

Indicators	Units	FY2024	FY2023	FY2022
Work-related fatality	Case(s)	**1**	0	0
Rate of work-related fatality	%	**<0.1%**	0	0
Lost days due to work injury	Days	**82**	246	199
Rate of lost days due to work injury[4]	%	**<0.1%**	<0.1%	<0.1%

Note:

4. Rate of lost days due to work injury is calculated by number of lost days/total working days of all employees during the Year

Environmental, Social and Governance Report

B3. DEVELOPMENT AND TRAINING

We offer different training opportunities in a variety of knowledge and skills based on the needs of employees and the business. The management of each department may engage their employees in training activities when needed, to keep them abreast of industry trends and developments, and to refresh existing skills. The management also makes sure that the training activities attain their intended objectives of continuous learning. Trainings are classified into four categories, including induction training, professional and technical training, qualification training and occupational health and safety training.

The Group provides professional and technical training tailored to specific job roles to improve efficiency. Management prioritises and approves this training to meet both service and individual goals. The Group also offer qualification training to help employees grow in their careers and improve their work performance, encouraging them to obtain professional qualifications recognised internationally. Our "Post Entry Training Scheme" connects training to external education standards when relevant. Additionally, we include occupational health and safety training in the induction programs for new employees and in refresher courses for current staff, covering topics like evacuation drills and the correct use of fire-fighting equipment.

During the Reporting Period, the Group provided training to 9,276 employees (44% overall training rate) (2023: 9,173 (36% overall training rate)) and a total training hour of 320,895 (2023: 317,322) hours. The table below shows the breakdown of the employee training by gender and employee category.

Environmental, Social and Governance Report

Percentage of employees trained (%)	FY2024 (%)	FY2024 Average training hours	FY2023 (%)	FY2023 Average training hours
Overall	**44%**	**15.10**	36%	12.4
By Gender				
Male	**35%**	**12.64**	28%	9.9
Female	**47%**	**16.04**	39%	13.29
By Employee Category				
Management	**21%**	**7.40**	21%	7.52
General and Administration	**33%**	**2.93**	42%	2.40
Product Design and Research	**25%**	**9.06**	22%	7.76
Sales and Marketing	**30%**	**10.77**	25%	8.89
Manufacturing Development	**50%**	**18.00**	28%	10.19
Quality Control	**77%**	**27.69**	66%	23.61
China Production	**0%**	**0**	0%	0
Bangladesh Production	**44%**	**15.92**	36%	13.04

B4. LABOUR STANDARDS

The Group maintains a zero-tolerance policy and strictly prohibits the use of child labour and forced labour in our operations. To prevent these illegal employment practices, the Human Resources Department verifies applicants' identity documents to confirm they meet the minimum age for employment. The employment contract specifies working days and rest periods to eliminate forced labor, and employee attendance is closely monitored to ensure work is voluntary. Additionally, when overtime is necessary, employees are compensated in accordance with legal requirements.

In the event of any discovered illegal labor practices, the Group will immediately terminate their employment. An investigation will be carried out subsequently and report the case to the relevant authorities. During the Reporting Period, the Group was not aware of any material non-compliance with child and forced labour-related laws and regulations, that would have a significant impact on the Group including but not limited to the Employment Ordinance of Hong Kong, Labour Law of the PRC and the Bangladesh Labour Act (Amendment) 2023.

Environmental, Social and Governance Report

B5. SUPPLY CHAIN MANAGEMENT

Building long-term relationships with various suppliers is essential to our success. By working closely with them, we monitor the quality of their goods and services, as well as their overall performance, to ensure supply chain reliability. In FY2024, the Group engaged with 10 major hair products suppliers, maintaining the same number as in 2023, with 50% from Mainland China, 20% from Hong Kong, and the remaining 30% from Japan, India, and Korea.

Locations	No. of Major Hair Products Suppliers
Mainland China	5
Hong Kong	2
Others	3

The policies and procedures for managing expenditures serve as guidelines for the Purchasing Department in selecting and evaluating suppliers to ensure they meet regulations. Each year, selected suppliers and subcontractors are reviewed based on criteria such as raw material quality, pricing, performance, and delivery times.

During the selection process, suppliers must pass an internal assessment to ensure they meet the Group's standards for procurement, legal compliance, social responsibility, and financial stability. The Group requires suppliers to provide raw material test reports from internationally recognised testing centers that adhere to international standards, such as the European standard EN71 and Regulation (EC) No. 1907/2006 regarding chemical safety.

A supplier evaluation system is in place to assess suppliers annually. Assigned staff are responsible for maintaining and updating the supplier records. If a supplier or subcontractor does not meet the required standards, they will be removed from the list, and specific explanations for their removal will be provided to ensure effective supply chain management.

Green Procurement

ESG performance is incorporated into supplier evaluation as part of the Group's ongoing review and improvement of supplier management practices. During the procurement process, suppliers with recognised ESG achievements would have a higher ranking and priority to be selected by the Group.

The Group prioritises local suppliers and environmentally friendly products and services, aiming to reduce the carbon footprint caused by local procurement, while supporting local economic development and creating employment opportunities for local communities. In addition to environmental factors, the Group also adopts measures to monitor whether its suppliers or contractors comply with relevant social laws and regulations or meet other standards in terms of health, safety, forced labour and child labour. Regular review and evaluation are conducted to ensure the efficiency of the green supply chain management system.

B6. PRODUCT RESPONSIBILITY

The Group prioritises high product quality to enhance customer satisfaction and strengthen brand management. To improve the shopping experience, it has implemented comprehensive measures, including the procurement of quality raw materials, production processes, inventory control, and post-sale services.

The internal policies concerning product responsibility focus on five key areas: product recall, quality assurance, advertising and labeling, intellectual property rights, and data protection and privacy. These policies take relevant regulations into account, including the Product Quality Law of the PRC, the Law on Protection of Consumer Rights and Interests of the PRC, the US Consumer Product Safety Improvement Act, the US Code of Federal Regulations, and the Consumers' Rights Protection Act 2009 of Bangladesh.

Product Health and Safety

The Group is committed to providing quality and reliable products to customers. In response to product safety regulations in corresponding jurisdictions, such as the US Consumer Product Safety Act, the Consumer Product Safety Improvement Act, the US Code of Federal Regulations and the Consumers' Rights Protection Act 2009 of Bangladesh, the Group has set stringent products' health and safety policies to protect customers' rights.

The procurement team applies the set policy as guidance in sourcing raw materials from suppliers, which have passed the Group's quality and reliability assessment. As mentioned, suppliers are required to provide the Group with raw material test reports prepared by international recognised testing centres such as European standard EN71 and Regulation (EC) No 1907/2006, to prove its compliance with international standards. Production management policy strengthens product quality control and mitigates risk of product defeats jeopardising customers' health and safety.

During the Reporting Period, the Group had zero recall rate, with no products were recalled due to safety and health reasons. The Group had achieved zero recall rate in 3 consecutive years, contributed by the efficient supply chain management system for procurement and strict monitoring of its production process.

Environmental, Social and Governance Report

Quality Assurance

Production management and quality control are two important steps taken by the Group to ensure product quality. Monitoring of production process is conducted by the production team to ascertain production process is up to the Group's requirements.

Quality Control Department is responsible for inspecting quality of raw materials, semi-finished products and finished products. Quality inspections are carried out by designated staff on a random basis, defects can be corrected immediately before the finished products are delivered to our customers. Only final products with passing grade in internal product assessment will be delivered to customers. Regular meetings are conducted to discuss reasons of production failure and seek mitigation and preventive solutions.

The Group sets out Product Quality Contingency Plan for investigation of product defeats and handling customer complaints caused by unsatisfactory products. Customers can reach the sales department for complaints regarding the Group's products. The Group offers free maintenance, exchange, or discount on next purchase.

In FY2024, the Group had received zero customers complaints regarding products quality. There is no significant impact of unsatisfactory products on the Group's business due to strict quality control. Proper implementation of the stated policy and regular reviews are conducted to safeguard high product quality and expand the Group's potential market.

Advertising and Labelling

Production management policy includes high standard of labelling requirements and responsive procedures to ensure precise product descriptions for marketing materials.

The set policy complies with advertising and labelling regulations, including but not limited to Product Quality Law in China and the Consumer Goods Safety Ordinance in Hong Kong. Product labelling is produced during the manufacturing phase to ensure information accuracy. Employees are responsible for filling in accurate product information on a separate new product label at each production stage. Multiple checking also ensures corrective measures can be carried out in a timely manner and accurate product information is disclosed.

In FY2024, the Group recorded no material non-compliance in advertising and labelling with reference to relevant regulations.

Environmental, Social and Governance Report

Intellectual Properties Rights

The Group is determined to protecting and enforcing its intellectual property rights through registered designs, patents and copyrights to comply with all relevant laws and regulations, including but not limited to the Patent Law of the PRC (2020 Amendment), the Detail Rules for the Implementation of the Patent Law of the PRC (2023 Amendment) and Patent and Design Rights guided under the Patents and Designs Act of 1911 of Bangladesh and the Patent and Design Rules of 1933 of Bangladesh, aiming at protecting patents, designs and trademarks, and giving the creators of an invention the exclusive legal right to market, sell, manufacture, and profit from that invention. During the Reporting Period, the Group recorded no material non-compliance in intellectual property rights with reference to relevant regulations.

Data Protection and Privacy

The Group places customer privacy with high priority in its business management, and is committed to complying with data privacy laws, including but not limited to the Personal Data (Privacy) Ordinance of Hong Kong, the Protection of Consumer Rights and Interests Law of the PRC (2013 Amendment), the Federal Trade Commission Act of US, the Information and Communication Technology Act of Bangladesh 2006 and the Consumers' Rights Protection Act of Bangladesh 2009, which aims at protecting data privacy.

During the Reporting Period, the Group recorded no material non-compliance in data privacy with reference to the said laws and regulations.

B7. ANTI-CORRUPTION

The Group has zero-tolerance to bribery and corruption and is committed to complying with relevant anti-bribery and corruption regulations and anti-money laundering regulations, including but not limited to the Prevention of Bribery Ordinance of Hong Kong, the Criminal Law of the PRC, the Law on Anti-money Laundering of the PRC, the American Anti-Corruption Act and the Bangladesh Anti-Corruption Commission Act 2004.

In response to the anti-bribery and corruption regulations, the Group sets out Code of Conduct and related policy as a guideline to employees. The policy aims to maintain high standards of discipline, thereby avoiding conflict of interest and accepting reward for his performing any act in his official capacity. Reporting system is established, employees are encouraged to fill in the Report on Gifts/Advantages Received and Declaration of Conflict of Interest to avoid violating internal anti-bribery policy.

During the Reporting Period, the Group recorded no concluded legal cases regarding corrupt practices brought against the Group or its employees.

Environmental, Social and Governance Report

Whistleblowing Policy

To ensure ethical behavior and accountability, the Group has set up a strong internal whistleblowing system that allows employees to report misconduct or suspected corruption directly to the chairman. All employees receive the Code of Conduct and Employee Handbook, which outline our commitment to integrity, legal compliance, and personal responsibility.

Our Whistleblowing Policy encourages both employees and external stakeholders — like customers, suppliers, and business partners — to report any suspected violations. Employees are urged to inform their supervisors or senior management about any breaches of the Code.

We protect the confidentiality of whistle-blowers and safeguard those who raise legitimate concerns from unfair dismissal, retaliation, or inappropriate disciplinary actions, even if the issues reported turn out to be unfounded. Additionally, the Group's internal audit team carries out thorough investigations and, when necessary, refers findings to law enforcement, demonstrating our commitment to transparency and ethical practices.

Anti-Corruption Training

We not only follow the laws and regulations in the areas where we operate but also take a proactive approach to prevent bribery and corruption. This includes providing anti-corruption training to our staff, ensuring they understand the importance of ethical behavior and how to recognise and report any suspicious activities. Moving towards a low-carbon future requires strong governance and responsible practices that consider the interests of all stakeholders. We strive to uphold our values and encourage our supply chain partners to meet the same standards in their business activities.

During the Reporting Period, a total of 228 hours of anti-corruption training had been provided to our employees including directors, senior management and general staff. This training covered a wide range of topics, including recent updates on anti-bribery and corruption issues and best practices. Following this training, all employees are expected to uphold integrity and professionalism, understanding the importance of acting fairly and avoiding involvement in bribery or any activities that could compromise the Group's interests.

B8. COMMUNITY INVESTMENT

We believe that working together can significantly impact the pressing environmental and social challenges we encounter daily. Our mission drives us to support those in need, and we encourage our employees to engage in community programs.

Over the years, the Group has strengthened its connections with the community and embraced its social responsibilities through donations and volunteer work with charities. In alignment with our sustainability policy, we have established a community investment strategy that focuses on public welfare.

During FY2024, the Group donated and invested approximately HK$167,040 in community development. Below are some of the activities in which we have participated and engaged this year.

- Donating rice in each month to an orphanage located at Rangpur in Bangladesh.
- Making regular donations to both Uttara EPZ School, Nilphamari and in Autistic School located at Rangpur in Bangladesh.
- Donating Old computers in various school & colleges located in Nilphamari, Rangpur & Dinajpur Districts including Uttara EPZ school in Nilphamari.
- Donating money to Chirirbandar UNO office for book fair, Dinajpur on 21 February 2024.
- Donating money to NP DC office for Independence Day Program, Nilphamari on 26 March 2024.
- Donating money to ECC office for World Environment Day Program in Nilphamari.
- Donating money to Bangladesh EPZ Investors' Association ("**BEPZIA**") in Dhaka.
- Donating money for Mosque Purpose in Dhaka.
- Donating money to Chirirbandar UNO & PS office, Dinajpur and Nilphamari DC office in Nilphamari for Victory Day Program on 16 December 2024.
- Providing regular contributions to Orbis in Hong Kong.

Looking to the future, the Group envisions a strong commitment to giving back to the community. We aspire to create meaningful partnerships with local organizations, support educational programs, and promote sustainability initiatives. Our goal is to inspire positive change and foster a sense of belonging, ensuring that our contributions have a lasting impact on the lives of those we serve. By working together with community members, we hope to build a brighter, more prosperous future for everyone.

Environmental, Social and Governance Report

THE ESG REPORTING GUIDE CONTENT INDEX OF THE STOCK EXCHANGE

Mandatory Disclosure Requirements	Chapter/Statement
Governance Structure	BOARD STATEMENT AND ESG GOVERNANCE STRUCTURE
Reporting Principles	REPORTING PRINCIPLES
Reporting Boundary	REPORTING BOUNDARY

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to Exhaust Gas and GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions – Air Emissions
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity.	Emissions – GHG Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.4	Total non-hazardous waste produced (in tonnes) and intensity.	Emissions – Waste Management
KPI A1.5	Description of emission target(s) set, and steps taken to achieve them.	Environmental targets
KPI A1.6	Description of how hazardous and non-hazardous waste are handled, and a description of waste reduction target(s) set and steps taken to achieve them.	Emissions – Waste Management

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water, and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Use of Resources – Energy Management
KPI A2.2	Water consumption in total and intensity	Use of Resources – Water Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources – Energy Management
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources – Water Resources
KPI A2.5	Total packaging materials used for finished products (in tonnes) and with reference to per unit produced.	Use of Resources – Packaging Materials
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The Environment and Natural Resources

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer and the actions taken to manage them.	Climate Change – Climate Risk Assessment
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full-time or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the Reporting Period.	Health and Safety
KPI B2.2	Lost days due to work injury	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted and how they are implemented and monitored.	Health and Safety
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B4: Labour Standards		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid the child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Percentage of total products sold or shipped subject to recall for safety and health reasons.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers and how they are implemented and monitored.	Supply Chain Management

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B6: Product Responsibility		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recall for safety and health reasons.	Product Responsibility
KPI B6.2	Number of products and service-related complaints received and how they are dealt with.	Product Responsibility – Customer Service Quality
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Product Responsibility – Intellectual Property Rights
KPI B6.4	Description of quality assurance process and recall procedures.	Product Responsibility – Product Quality and Safety
KPI B6.5	Description of customer data collection and privacy policies and how they are implemented and monitored.	Product Responsibility – Protection of Data and Privacy

Environmental, Social and Governance Report

Subject Areas, Aspects, General Disclosures and KPIs	Description	Section/Declaration
Aspect B7: Anti-Corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud, and money laundering.	Anti-Corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-Corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures and how they are implemented and monitored.	Anti-Corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Corruption
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Community Investment

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF EVERGREEN PRODUCTS GROUP LIMITED
訓修實業集團有限公司
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Evergreen Products Group Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 102 to 193, which comprise the consolidated statement of financial position as at 31 December 2024, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2024, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditor's Report

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation of industrial buildings, offices and car parks (the "Revalued Properties") included in property, plant and equipment	
We identified the valuation of the Revalued Properties as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole and the significant judgement and estimates involved in determining their fair value. As set out in Note 4, the Revalued Properties of the Group are stated in the consolidated statement of financial position at the date of the revaluation at fair value less subsequent accumulated depreciation and accumulated impairment losses, if any. As set out in Note 16 to the consolidated financial statements, the Group's Revalued Properties amounted to approximately HK$97,387,000 as at 31 December 2024, the date of revaluation. The key inputs used in valuing the Revalued Properties are market unit rate of comparable properties.	Our procedures in relation to valuation of Revalued Properties included: • Evaluating the competence, capabilities and objectivity of the independent qualified valuer; • Obtaining an understanding from the independent qualified valuer about the valuation methodology, the significant assumptions adopted, critical judgmental areas on key inputs and data used in the valuation; and • Assessing the reasonableness of the key inputs used by the independent qualified valuer by comparing to available market data.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Li Man Kei.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
21 March 2025

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	NOTES	2024 HK$'000	2023 HK$'000
Revenue	5	**1,016,362**	979,240
Cost of sales		**(772,826)**	(746,007)
Gross profit		**243,536**	233,233
Other income	7	**7,924**	7,296
Other gains and (losses)	8	**4,683**	(59)
Impairment losses recognised under expected credit loss model, net of reversal		**(1,354)**	(2,053)
Administrative expenses		**(132,458)**	(119,091)
Distribution and selling expenses		**(27,017)**	(31,027)
Other expense	9	**(162)**	(541)
Gain on disposal of a subsidiary		**–**	3,839
Finance costs	10	**(42,440)**	(36,810)
Profit before tax	11	**52,712**	54,787
Income tax expense	13	**(12,986)**	(6,563)
Profit for the year		**39,726**	48,224
Other comprehensive (expense) income for the year:			
Items that will not be reclassified to profit or loss:			
(Deficit) surplus on revaluation of properties		**(14,138)**	6,223
Deferred tax arising from revaluation of properties		**1,166**	(12)
		(12,972)	6,211
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising from translation of foreign operations		**(34,760)**	(25,304)
Reclassification of cumulative reserve to profit and loss upon disposal of a subsidiary		**–**	1,847
		(34,760)	(23,457)
Other comprehensive expense for the year, net of income tax		**(47,732)**	(17,246)
Total comprehensive (expense) income for the year		**(8,006)**	30,978

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2024

	NOTES	**2024** **HK$'000**	2023 HK$'000
Profit (loss) for the year attributable to:			
Owners of the Company		**39,916**	51,011
Non-controlling interests		**(190)**	(2,787)
		39,726	48,224
Total comprehensive (expense) income attributable to:			
Owners of the Company		**(7,345)**	34,471
Non-controlling interests		**(661)**	(3,493)
		(8,006)	30,978
Earnings per share (HK$)	*15*		
– Basic		**0.06**	0.08
– Diluted		**N/A**	N/A

Consolidated Statement of Financial Position

At 31 December 2024

	NOTES	2024 HK$'000	2023 HK$'000
Non-current assets			
Property, plant and equipment	16	**532,459**	580,600
Investment properties	17	**14,564**	15,043
Goodwill	18	**575**	–
Customer relationship		**310**	–
Financial assets at fair value through profit or loss	19	**44,766**	43,800
Non-current deposits	21	**10,238**	7,553
		602,912	646,996
Current assets			
Inventories	20	**488,501**	521,359
Trade and other receivables	21	**264,769**	274,262
Tax recoverable		**4,360**	4,782
Pledged bank deposits	22	**58,685**	93,584
Cash and cash equivalents	23	**115,712**	90,583
		932,027	984,570
Current liabilities			
Trade and other payables	24	**135,328**	131,629
Contract liabilities	25	**2,958**	10,832
Amount due to a related company	26	**8,184**	6,150
Amount due to a non-controlling shareholder of a subsidiary	26	**2,471**	2,376
Tax payable		**11,502**	12,660
Secured bank and other borrowings	27	**507,156**	568,563
Lease liabilities	28	**1,318**	1,844
		668,917	734,054
Net current assets		**263,110**	250,516
Total assets less current liabilities		**866,022**	897,512

Consolidated Statement of Financial Position

At 31 December 2024

	NOTES	2024 HK$'000	2023 HK$'000
Capital and reserves			
Share capital	29	**50,311**	51,010
Reserves		**749,828**	800,616
Equity attributable to owners of the Company		**800,139**	851,626
Non-controlling interests		**(4,909)**	(6,526)
Total equity		**795,230**	845,100
Non-current liabilities			
Deferred tax liabilities	30	**6,905**	7,817
Secured bank and other borrowings	27	**55,176**	35,172
Lease liabilities	28	**8,711**	9,423
		70,792	52,412
		866,022	897,512

The consolidated financial statements on pages 102 to 193 were approved and authorised for issue by the board of directors on 21 March 2025 and are signed on its behalf of:

Chang Yoe Chong Felix
DIRECTOR

Chan Kwok Keung
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2024

	Attributable to owners of the Group										
	Share capital HK$'000	Share premium HK$'000	Capital reserve HK$'000 (note a)	Property revaluation reserve HK$'000	Other reserve HK$'000 (note b)	Translation reserve HK$'000	Amount recognised in other comprehensive Income for assets held for sale HK$'000	Retained profits HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2023	53,377	466,772	(53,992)	118,167	(76)	(103,415)	(1,272)	416,848	896,409	(8,321)	888,088
Profit (loss) for the year	–	–	–	–	–	–	–	51,011	51,011	(2,787)	48,224
Surplus on revaluation of properties	–	–	–	6,223	–	–	–	–	6,223	–	6,223
Reclassification of cumulative reserve to profit and loss upon disposal of a subsidiary	–	–	–	–	–	–	1,847	–	1,847	–	1,847
Deferred tax arising from revaluation of properties	–	–	–	(12)	–	–	–	–	(12)	–	(12)
Exchange differences arising from translation of foreign operations	–	–	–	–	–	(24,598)	–	–	(24,598)	(706)	(25,304)
Total comprehensive income (expense) for the year	–	–	–	6,211	–	(24,598)	1,847	51,011	34,471	(3,493)	30,978
Release upon disposal of land and buildings	–	–	–	–	–	–	(575)	575	–	–	–
Acquisition of additional interests in subsidiary from non-controlling shareholders	–	–	–	–	(5,288)	–	–	–	(5,288)	5,288	–
Dividends recognised as distribution *(Note 14)*	–	–	–	–	–	–	–	(54,200)	(54,200)	–	(54,200)
Share repurchases and cancellation *(Note 29)*	(2,367)	(17,399)	–	–	–	–	–	–	(19,766)	–	(19,766)
At 31 December 2023	51,010	449,373	(53,992)	124,378	(5,364)	(128,013)	–	414,234	851,626	(6,526)	845,100
Profit (loss) for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**39,916**	**39,916**	**(190)**	**39,726**
Deficit on revaluation of properties	**-**	**-**	**-**	**(14,138)**	**-**	**-**	**-**	**-**	**(14,138)**	**-**	**(14,138)**
Deferred tax arising from revaluation of properties	**-**	**-**	**-**	**1,166**	**-**	**-**	**-**	**-**	**1,166**	**-**	**1,166**
Exchange differences arising from translation of foreign operations	**-**	**-**	**-**	**-**	**-**	**(34,289)**	**-**	**-**	**(34,289)**	**(471)**	**(34,760)**
Total comprehensive (expense) income for the year	**-**	**-**	**-**	**(12,972)**	**-**	**(34,289)**	**-**	**39,916**	**(7,345)**	**(661)**	**(8,006)**
Acquisition of subsidiaries *(Note 37)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,278**	**2,278**
Dividends recognised as distribution *(Note 14)*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(38,412)**	**(38,412)**	**-**	**(38,412)**
Share repurchases and cancellation *(Note 29)*	**(699)**	**(5,031)**	**-**	**-**	**-**	**-**	**-**	**-**	**(5,730)**	**-**	**(5,730)**
At 31 December 2024	**50,311**	**444,342**	**(53,992)**	**111,406**	**(5,364)**	**(162,302)**	**-**	**415,738**	**800,139**	**(4,909)**	**795,230**

Notes:

a. Capital reserve represents (i) the contribution from an intermediate holding company to Evergreen Products Factory Limited ("**Evergreen Factory**"), a wholly owned subsidiary of the Company; and (ii) the difference between the nominal value of the share capital of Evergreen Factory at the date on which it was acquired by the Group, and the deemed consideration pursuant to the group reorganisation in prior years.

b. Other reserve represents the effect of change in ownership in a subsidiary when there was no change in control.

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	NOTE	2024 HK$'000	2023 HK$'000
OPERATING ACTIVITIES			
Profit before tax		**52,712**	54,787
Adjustments for:			
Depreciation of property, plant and equipment		**38,071**	49,185
Bank interest income		**(2,677)**	(2,082)
Imputed interest income on property rental deposits		**–**	(151)
Loss (gain) on disposal of property, plant and equipment		**30**	(18)
Loss (gain) on change in fair value of investment properties		**100**	(367)
Impairment losses on financial assets recognised under expected credit loss model, net of reversal		**1,354**	2,053
Finance costs		**42,440**	36,810
Changes in fair value of the financial assets at fair value through profit or loss		**(2,266)**	1,119
Gain on disposal of a subsidiary		**–**	(3,839)
Operating cash flows before movements in working capital		**129,764**	137,497
Decrease (increase) in inventories		**39,179**	(45,329)
Decrease (increase) in trade and other receivables		**17,083**	(38,203)
Increase in trade and other payables		**227,822**	330,499
(Decrease) increase in contract liabilities		**(7,874)**	3,732
Cash generated from operations		**405,974**	388,196
Income tax paid		**(12,325)**	(4,016)
NET CASH FROM OPERATING ACTIVITIES		**393,649**	384,180
INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(28,968)**	(27,248)
Placement of pledged bank deposits		**(7,984)**	(2,456)
Payments for life insurance contracts		**(567)**	(566)
Acquisition of subsidiaries	37	**(185)**	–
Withdrawal of pledged bank deposits		**42,883**	724
Proceed from disposal of a subsidiary		**3,500**	2,938
Interest received		**2,677**	2,082
Refund from investment funds		**1,867**	–
Refund (payment) of rental deposits		**201**	(104)
Purchase of investment funds		**–**	(1,681)
Proceeds from disposal of property, plant and equipment		**–**	18
NET CASH FROM (USED IN) INVESTING ACTIVITIES		**13,424**	(26,293)

Consolidated Statement of Cash Flows

For the year ended 31 December 2024

	2024 HK$'000	2023 HK$'000
FINANCING ACTIVITIES		
New secured bank and other borrowings raised	**1,085,288**	1,032,849
Advance from a related company	**9,234**	–
Repayment of secured bank and other borrowings	**(1,076,316)**	(1,030,269)
Repayment of bank borrowings under supplier financing arrangement	**(302,041)**	(202,137)
Interest paid	**(40,020)**	(35,829)
Dividends paid	**(38,412)**	(54,200)
Repayment to a related company	**(7,458)**	(4,600)
Repurchase of shares	**(5,730)**	(19,766)
Repayment of lease liabilities	**(2,881)**	(1,852)
Drawdown of bank overdrafts	**–**	287,451
Repayment of bank overdrafts	**–**	(305,004)
Repayment to a non-controlling shareholder of a subsidiary	**–**	(9,535)
NET CASH USED IN FINANCING ACTIVITIES	**(378,336)**	(342,892)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**28,737**	14,995
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	**90,583**	78,674
Effect of foreign exchange rate changes	**(3,608)**	(3,086)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**115,712**	90,583
Represented by:		
Bank balances and cash	**115,712**	90,583

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

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 are the Felix Family Trust and CLC Family Trust (collectively, the "**Trust**"). The beneficiaries and settlor of the Trust, 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 share are listed on Stock Exchange.

2. APPLICATION OF NEW AND 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 new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**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 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

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

AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

Except as described below, the application of the new and 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 consolidated financial statements.

Impacts on application of Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* (the "2020 Amendments") and Amendments to HKAS 1 *Non-current Liabilities with Covenants* (the "2022 Amendments")

The Group has applied the amendments for the first time in the current year.

The 2020 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 the classification should not be affected by management intentions or expectations to settle the liability within 12 months.

- 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".

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

AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

Impacts on application of Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)* (the "2020 Amendments") and Amendments to HKAS 1 *Non-current Liabilities with Covenants* (the "2022 Amendments") (Continued)

For rights to defer settlement for at least twelve months from reporting date which are conditional on the compliance with covenants, the 2022 Amendments specifically clarify that only covenants that an entity is required to comply with on or before the end of the reporting period affect the entity's right to defer settlement of a liability for at least twelve months after the reporting date, even if compliance with the covenant is assessed only after the reporting date. The 2022 Amendments also specify that covenants with which an entity must comply after the reporting date (i.e. future covenants) do not affect the classification of a liability as current or non-current at the reporting date. However, if the entity's right to defer settlement of a liability is subject to the entity complying with covenants within twelve months after the reporting period, an entity discloses information that enables users of financial statements to understand the risk of the liabilities becoming repayable within twelve months after the reporting period. This would include information about the covenants, the carrying amount of related liabilities and facts and circumstances, if any, that indicate that the entity may have difficulties complying with the covenants.

Based on the Group's outstanding liabilities as at 31 December 2023 and 2024, the application of the 2020 and 2022 Amendments has no other material impact on the classification of the Group's other liabilities. The change in accounting policy does not have impact to the Group's profit or loss or earnings per share for the current and prior years presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

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

AMENDMENTS TO HKFRSs THAT ARE MANDATORILY EFFECTIVE FOR THE CURRENT YEAR (CONTINUED)

Impacts on application of Amendments to HKAS 7 and HKFRS 7 *Supplier Finance Arrangements*

The Group has applied the amendments for the first time in the current year.

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.

In accordance with the transition provision, the entity is not required to disclose comparative information for any reporting periods presented before the beginning of the annual reporting period in the first year of application as well as the information required by HKAS 7:44 (b)(ii) and (b)(iii) above as at the beginning of the annual reporting period in which the entity first applies those amendments.

The Group has provided additional disclosures related to the amendments in Note 27.

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

NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

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

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 9	Contracts Referencing Nature – dependent Electricity[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS	Annual Improvement to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]

1 Effective for annual periods beginning on or after a date to be determined.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after 1 January 2026.
4 Effective for annual periods beginning on or after 1 January 2027.

The directors of the Company anticipate that the application of all other amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rule Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") and by the Hong Kong Companies Ordinance.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Basis of consolidation (Continued)

Business combinations (Continued)

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") except for transactions and events within the scope of HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or HK(IFRIC)-Int 21 *Levies*, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Basis of consolidation (Continued)

Business combinations (Continued)

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16 *Leases*) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Revenue from contracts with customers

Information about the Group's accounting policies relating to contracts with customers is provided in Notes 5 and 25.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 "Leases" ("**HKFRS 16**"), the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Leases (Continued)

The Group as a lessee

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any lease payments made at or before the commencement date.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Foreign currencies

In preparing the financial statements of each individual entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. HK$) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Exchange differences relating to the retranslation of the Group's net assets in US$ to the Group's presentation currency (i.e. HK$) are recognised directly in other comprehensive income and accumulated in translation reserve. Such exchange differences accumulated in the translation reserve are not reclassified to profit or loss subsequently.

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Employee benefits (Continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense.

A liability is recognised for benefits accruing to employees, such as wages and salaries, after deducting any amount already paid.

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold lands, which is always presumed to be recovered entirely through sale.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Taxation (Continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly to equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes, other than freehold lands and factory buildings, owned properties which are industrial buildings, offices and car parks and construction in progress as described below, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Freehold lands are not depreciated and are measured at cost less subsequent accumulated impairment losses.

Owned properties that are industrial buildings, offices and car parks held for use in the production or supply of goods or services, or for administrative purpose, are stated in the consolidated statement of financial position at fair value at the date of the revaluation less subsequent accumulated depreciation and accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period and as at the date of transfer to investment property.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Property, plant and equipment (Continued)

Factory buildings in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold lands and building elements, the entire consideration is allocated between the leasehold lands and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold lands that is accounted for as an operating lease is presented as right-of-use assets in property, plant and equipment in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold lands, the related leasehold lands are not presented separately as right-of -use assets.

Any revaluation increase arising on revaluation of owned properties that are industrial buildings, offices and car parks is recognised in other comprehensive income and accumulated in property revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in net carrying amount arising on revaluation of a property is recognised in profit or loss to the extent that it exceeds the balance, if any, on the property revaluation reserve relating to a previous revaluation of that property. On the subsequent sale or retirement, the attributable revaluation surplus is transferred to retained profits.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the assets and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost of inventories are determined on the first-in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs to completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) ("**CGU**") to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units). On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained, unless the Group can demonstrate that some other method better reflects the goodwill associated with the operation disposed of.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("**HKFRS 15**"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("**FVTPL**")) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

All other financial assets are subsequently measured at FVTPL.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Financial assets at FVTPL

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("**ECL**") model on financial assets (including trade and other receivables, pledged bank deposits and bank balances) which are subject to impairment assessment under HKFRS 9 "Financial Instruments" ("**HKFRS 9**"). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("**12m ECL**") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- an actual or expected significant deterioration in the operating results of the debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

3.2 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(v) Measurement and recognition of ECL (Continued)

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account.

Financial liabilities and equity

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, secured bank and other borrowings, bank overdrafts, amount due to a related company and amount due to a non-controlling shareholder of a subsidiary are subsequently measured at amortised cost, using the effective interest method.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

CRITICAL JUDGEMENT IN APPLYING ACCOUNTING POLICIES

The following is the critical judgement, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Deferred taxation on investment properties

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is rebutted and the Group has recognised deferred tax on changes in fair value of investment properties on the basis that the deferred tax reflects the tax consequences that will follow from the manner in which the Group expects to recover the carrying amount of the investment properties through consumption by economic benefits over time.

KEY SOURCES OF ESTIMATION UNCERTAINTY

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period or that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Fair value of industrial buildings, offices and car parks

Industrial buildings, offices and car parks in which the Group is the registered owner are stated in the consolidated statement of financial position at the date of the valuation at fair value less subsequent accumulated depreciation and accumulated impairment losses, if any. They are carried at their revalued amount of HK$97,387,000 (2023: HK$116,872,000) at the end of the reporting period. The revalued amount of the industrial buildings, offices and car parks was based on valuation on the properties conducted by an independent qualified valuer using market approach, as detailed in Note 16. The valuation conducted by independent qualified valuer using the market approach. The key input using in the valuation are market unit rate of comparable properties. Favourable or unfavourable changes to these assumptions would result in changes in fair value of the Group's industrial buildings, offices and car parks and corresponding adjustments to the amount reported in other comprehensive income.

5. REVENUE

(I) DISAGGREGATION OF REVENUE FROM CONTRACTS WITH CUSTOMERS

	2024 ***HK$'000***	2023 *HK$'000*
Group revenue by products		
Wigs, hair accessories and others	**882,063**	862,256
High-end human hair extensions	**109,678**	80,423
Halloween products	**24,621**	36,561
	1,016,362	979,240

All revenue is recognised at a point in time.

5. REVENUE (CONTINUED)

(II) 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. Transportation and handling activities that occur before the customer obtains control are considered as fulfilment activities.

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. A contract liability is recognised for receipt in advance for sales in which revenue has yet been recognised.

(III) 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.

6. 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. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

6. SEGMENT INFORMATION (CONTINUED)

GEOGRAPHICAL INFORMATION

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

	Revenue from external customers	
	2024	2023
	HK$'000	*HK$'000*
The United States of America (the "**USA**")	**929,647**	882,758
Germany	**30,344**	37,357
Japan	**6,482**	13,681
The People's Republic of China (the "**PRC**")	**10,574**	12,266
The United Kingdom (the "**UK**")	**29,679**	23,697
Others	**9,636**	9,481
	1,016,362	979,240

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

	2024	2023
	HK$'000	*HK$'000*
Bangladesh	**408,329**	430,618
Hong Kong	**72,137**	93,940
The PRC	**45,553**	48,270
The USA	**20,217**	19,098
Japan	**1,917**	1,909
Thailand	**7,048**	6,797
The UK	**1,250**	1,553
	556,451	602,185

Note: Non-current assets excluded goodwill, customer relationship, financial assets at FVTPL and property rental deposits.

6. SEGMENT INFORMATION (CONTINUED)

INFORMATION ABOUT MAJOR CUSTOMERS

Revenue from the customers of the corresponding years contributing over 3% of the total revenue of the Group are as follows:

	2024 **HK$'000**	2023 HK$'000
Customer A[1]	**384,370**	374,960
Customer B[1]	**206,358**	200,059
Customer C	**89,877**	58,639
Customer D	**74,907**	36,926
Customer E	**31,648**	34,589

[1] The owner of Customer A is a relative of the owner of Customer B.

7. OTHER INCOME

	2024 **HK$'000**	2023 HK$'000
Bank interest income	**2,677**	2,082
Rental income	**1,715**	1,760
Government grant	**–**	171
Sundry income	**3,532**	3,132
Imputed interest income on property rental deposits	**–**	151
	7,924	7,296

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

8. OTHER GAINS AND LOSSES

	2024	2023
	HK$'000	*HK$'000*
Gain (loss) on financial assets at FVTPL, net	**2,266**	(1,119)
(Loss) gain on disposal of property, plant and equipment	**(30)**	18
Net foreign exchange gain	**2,547**	675
(Loss) gain on change in fair value of investment properties	**(100)**	367
	4,683	(59)

9. OTHER EXPENSE

	2024	2023
	HK$'000	*HK$'000*
Donation expense	**162**	541

10. FINANCE COSTS

	2024	2023
	HK$'000	*HK$'000*
Interest on bank borrowings	**39,021**	33,089
Interest on other borrowing	**999**	1,309
Interest on amount due to a related company	**258**	442
Interest on lease liabilities	**694**	989
Others	**1,468**	981
	42,440	36,810

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For the year ended 31 December 2024

11. PROFIT BEFORE TAX

	2024 **HK$'000**	2023 HK$'000
Profit before tax has been arrived at after charging (crediting):		
Depreciation of property, plant and equipment	**38,071**	49,185
Capitalised in inventories	**(25,243)**	(37,501)
	12,828	11,684
Directors' emoluments *(Note 12)*		
– Fees	**4,560**	4,660
– salaries and other benefits	**2,287**	1,817
– retirement benefits scheme contributions	**74**	62
	6,921	6,539
Staff's salaries and other benefits	**343,055**	297,347
Staff's retirement benefits scheme contributions	**4,713**	4,774
Total staff costs *(Note)*	**354,689**	308,660
Auditor's remuneration		
– audit services	**3,500**	2,534
– other services	**–**	150

Note: Staff costs disclosed above included amounts capitalised in inventories.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Directors' and chief executive's remuneration for the year, disclosed pursuant to the applicable Listing Rules and Hong Kong Companies Ordinance, is as follows:

	2024				2023			
	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total	Fees	Salaries and other benefits	Retirement benefits scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors								
Mr. Chang Yoe Chong Felix *(Note (i))*	**3,600**	**-**	**-**	**3,600**	3,600	–	–	3,600
Mr. Chan Kwok Keung	**-**	**1,232**	**18**	**1,250**	–	1,219	18	1,237
Ms. Jia Ziying	**-**	**805**	**33**	**838**	–	328	22	350
Mr. Li Yan Bo	**-**	**250**	**23**	**273**	–	270	22	292
Non-executive director								
Mr. Chan Lau Yui Kevin	**240**	**-**	**-**	**240**	240	–	–	240
Independent non-executive directors								
Mr. Sin Hendrick *M.H.*	**240**	**-**	**-**	**240**	240	–	–	240
Mr. Szeto Yuk Ting	**240**	**-**	**-**	**240**	240	–	–	240
Ir. Cheung Siu Wa	**240**	**-**	**-**	**240**	240	–	–	240
Mr. Tseung Yuk Hei, Kenneth *(Note (ii))*	**-**	**-**	**-**	**-**	100	–	–	100
	4,560	**2,287**	**74**	**6,921**	4,660	1,817	62	6,539

Notes:

(i) Mr. Chang Yoe Chong Felix acts as an executive director, Chief Executive Officer and also the Chairman of the Company and the Group and his emoluments disclosed above included those services rendered by him as Chief Executive Officer.

(ii) Mr. Tseung Yuk Hei Kenneth resigned as an independent non-executive director of the Company on 1 June 2023.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS (CONTINUED)

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above was for their service as directors of the Company.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

The five highest paid individuals included 3 directors (2023: 2 directors) of the Company for the year ended 31 December 2024, details of whose emoluments are included above. The emoluments of the remaining 2 (2023: 3) highest paid individuals during the year were as follows:

	2024	2023
	HK$'000	*HK$'000*
Employees		
– salaries and other benefits	**2,365**	3,405
– retirement benefits scheme contributions	**36**	54
	2,401	3,459

Their emoluments were within the following bands:

	2024	2023
	No. of employees	No. of employees
Nil to HK$1,000,000	**–**	1
HK$1,000,001 to HK$2,000,000	**2**	2
	2	3

No emoluments were paid by the Group to the directors and five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for both years. None of the directors has waived or agreed to waive any emoluments for both years.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

13. INCOME TAX EXPENSE

	2024 **HK$'000**	2023 HK$'000
The income tax expense comprises:		
Current tax:		
Hong Kong	**40**	40
The PRC Enterprise Income Tax ("**EIT**")	**433**	336
Bangladesh	**9,369**	5,414
Other jurisdictions	**82**	163
	9,924	5,953
Under-provision (over-provision) in prior years:		
Bangladesh	**1,649**	–
PRC	**56**	–
Hong Kong	**1**	(25)
	1,706	(25)
	11,630	5,928
Deferred tax *(Note 30)*		
Current year	**1,356**	635
	12,986	6,563

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, 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.

13. INCOME TAX EXPENSE (CONTINUED)

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.

Bangladesh tax authority has published a regulation on 26 June 2023 with reference number "SRO No. 210-Law/Income Tax 05/2023" allowing 12% tax rate on export income. The definition of "export" includes supply of goods to outside Bangladesh and supply of goods to export oriented industry under internal back-to-back letter of credit. Minimum tax standard rate has also proportionately reduced as per applicable reduced income tax rate. For the year ended 31 December 2024, the subsidiaries operating in Bangladesh are subject to income tax rate of the higher of 0.26% of revenue or tax deducted at source of the export proceeds or 12% on the assessable profit. Master Purple (BD) Limited operating in Bangladesh was 100% 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 there will be 3 financial years with 50% exemption and subsequently 1 financial year with 25% exemption. Currently, it is enjoying a 50% income exemption.

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

Details of the deferred taxation are set out in Note 30.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

13. INCOME TAX EXPENSE (CONTINUED)

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2024 **HK$'000**	2023 *HK$'000*
Profit before tax	**52,712**	54,787
Tax at the Hong Kong Profits Tax rate of 16.5% *(Note)*	**8,698**	9,040
Tax effect of expenses not deductible for tax purpose	**908**	601
Tax effect of income not taxable for tax purpose	**(1,594)**	(526)
Tax effect of tax exemptions granted to a subsidiary operated in Bangladesh	**(1,977)**	(1,296)
Tax effect of tax losses not recognised	**2,999**	5,490
Tax effect of other deductible temporary differences not recognised	**288**	–
Utilisation of tax loss for previous year not recognised	**(6,255)**	(7,984)
Under-provision (over-provision) in prior years	**1,706**	(25)
Effect of different tax rate applicable to subsidiaries operating in the other jurisdictions	**6,013**	853
Others	**2,200**	410
Income tax expense for the year	**12,986**	6,563

Note: The domestic tax rate (which is Hong Kong Profits Tax rate) in the jurisdiction where the operation of the Group is substantially based is used.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

14. DIVIDENDS

	2024 **HK$'000**	2023 HK$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2024 interim dividend of HK3.0 cents (2023: HK4.2 cents) per share	**19,412**	28,815
2023 final dividend of HK2.9 cents (2023: 2022 final dividend of HK3.7 cents) per share	**19,000**	25,385
	38,412	54,200

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2024 of HK2.8 cents per ordinary share, in an aggregate amount of HK$18,107,000 (2023: HK2.9 cents per ordinary share, in an aggregate amount of HK$19,000,000), 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.

15. EARNINGS PER SHARE

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

	2024	2023
Earnings attributable to owners of the Company:		
Earnings for the purpose of calculating basic and diluted earnings per share (HK$'000)	**39,916**	51,011
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic and diluted earnings per share	**652,727,000**	678,473,000

No diluted earnings per share is presented for the years ended 31 December 2024 and 2023 as there were no potential ordinary shares in issue for both years.

Notes to the Consolidated Financial Statements

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16. PROPERTY, PLANT AND EQUIPMENT

	Freehold lands and factory buildings HK$'000 Notes (i)(ii)	Residential properties HK$'000 Note (ii)	Industrial buildings, offices and car parks HK$'000 Note (ii)	Leased properties HK$'000	Construction in progress HK$'000	Machinery and equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
COST OR VALUATION										
At 1 January 2023	548,373	14,428	118,481	15,908	7,028	126,084	6,308	18,882	15,896	871,388
Additions	10,429	–	1,867	3,248	2,191	3,599	48	4,102	2,701	28,185
Disposals	–	–	–	–	–	–	–	(1,224)	–	(1,224)
Surplus on revaluation	–	–	140	–	–	–	–	–	–	140
Transfer to investment properties *(Note 17)*	–	–	(2,914)	–	–	–	–	–	–	(2,914)
Exchange adjustments	(24,634)	148	(702)	429	(257)	(3,760)	(255)	(606)	(684)	(30,321)
At 31 December 2023	534,168	14,576	116,872	19,585	8,962	125,923	6,101	21,154	17,913	865,254
Additions	12,677	–	905	1,030	5,432	11,713	381	1,064	692	33,894
Disposals	–	–	–	–	–	(5,806)	(613)	(2,188)	–	(8,607)
Deficit on revaluation	–	–	(19,791)	–	–	–	–	–	–	(19,791)
Exchange adjustments	(40,885)	(453)	(599)	(68)	(560)	(7,056)	(408)	(1,020)	(1,103)	(52,152)
Acquisition of subsidiaries *(Note 37)*	3,209	–	–	–	–	704	–	–	–	3,913
At 31 December 2024	509,169	14,123	97,387	20,547	13,834	125,478	5,461	19,010	17,502	822,511
Comprising										
At cost	509,169	14,123	–	20,547	13,834	125,478	5,461	19,010	17,502	725,124
At professional valuation	–	–	97,387	–	–	–	–	–	–	97,387
At 31 December 2024	509,169	14,123	97,387	20,547	13,834	125,478	5,461	19,010	17,502	822,511
DEPRECIATION										
At 1 January 2023	115,008	565	–	6,719	–	98,800	5,339	17,228	9,017	252,676
Provided for the year	22,596	95	5,732	2,262	–	15,484	228	1,311	1,477	49,185
Disposals	–	–	–	–	–	–	–	(1,224)	–	(1,224)
Eliminated on revaluation	–	–	(6,083)	–	–	–	–	–	–	(6,083)
Transfer to investment properties *(Note 17)*	–	–	(79)	–	–	–	–	–	–	(79)
Exchange adjustments	(5,680)	(18)	430	1	–	(2,988)	(215)	(513)	(838)	(9,821)

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold lands and factory buildings *HK$'000* *Notes (i)(ii)*	Residential properties *HK$'000* *Note (ii)*	Industrial buildings, offices and car parks *HK$'000* *Note (ii)*	Leased properties *HK$'000*	Construction in progress *HK$'000*	Machinery and equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
At 31 December 2023	131,924	642	–	8,982	–	111,296	5,352	16,802	9,656	284,654
Provided for the year	21,889	86	6,140	2,407	–	5,557	151	1,238	603	38,071
Disposals	–	–	–	–	–	(5,777)	(613)	(2,187)	–	(8,577)
Eliminated on revaluation	–	–	(5,653)	–	–	–	–	–	–	(5,653)
Exchange adjustments	(10,724)	(23)	(487)	–	–	(5,274)	(608)	(841)	(486)	(18,443)
At 31 December 2024	143,089	705	–	11,389	–	105,802	4,282	15,012	9,773	290,052
Carrying values representing										
Cost	366,080	13,418	–	9,158	13,834	19,676	1,179	3,998	7,729	435,072
Valuation	–	–	97,387	–	–	–	–	–	–	97,387
At 31 December 2024	366,080	13,418	97,387	9,158	13,834	19,676	1,179	3,998	7,729	532,459
Carrying values representing										
Cost	402,244	13,934	–	10,603	8,962	14,627	749	4,352	8,257	463,728
Valuation	–	–	116,872	–	–	–	–	–	–	116,872
At 31 December 2023	402,244	13,934	116,872	10,603	8,962	14,627	749	4,352	8,257	580,600

Notes:

(i) HK$29,161,000 (2023: HK$27,186,000) of freehold lands is included in the freehold lands and factory buildings.

(ii) The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land component of these owned properties are presented as right-of-use assets only if the payments made can be allocated reliably.

Notes to the Consolidated Financial Statements

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment other than freehold lands and construction in progress are depreciated on a straight-line basis, after taking into account the estimated residual value, at the following rates per annum:

Factory buildings, leasehold lands and buildings	4% to 6% or over the term of the lease, which is shorter
Leased properties	Over the respective lease term
Machinery and equipment, furniture and fixtures	20%
Leasehold improvements	Over the respective lease term
Motor vehicles	25%

THE GROUP AS LESSEE

Right-of-use assets (included in the property, plant and equipment)

	Leasehold lands *HK$'000*	Leased properties *HK$'000*	Motor vehicles *HK$'000*	Factory buildings *HK$'000*	Total *HK$'000*
As at 31 December 2024					
Carrying amount	20,255	1,497	–	311	22,063
As at 31 December 2023					
Carrying amount	21,096	2,418	70	647	24,231
For the year ended 31 December 2024					
Depreciation charge	1,271	890	70	454	2,685
For the year ended 31 December 2023					
Depreciation charge	1,025	853	120	555	2,553

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

THE GROUP AS LESSEE (CONTINUED)

Right-of-use assets (included in the property, plant and equipment) (Continued)

	2024 *HK$'000*	2023 *HK$'000*
Total cash outflow for leases	**2,881**	2,841
Additions to right-of-use assets	**1,030**	3,248

The right-of-use assets are depreciated on a straight-line basis over the respective lease term.

For both years, the Group leases leasehold lands, leased properties, motor vehicles and factory buildings for its operations. Lease contracts are entered into for fixed term of 2 to 30 years (2023: 2 to 30 years). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

Restrictions or covenants on leases

In addition, lease liabilities of HK$10,029,000 (2023: HK$11,267,000) are recognised with related right-of-use assets of HK$9,158,000 (2023: HK$10,603,000) as at 31 December 2024. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Notes to the Consolidated Financial Statements

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

THE GROUP AS LESSEE (CONTINUED)

Right-of-use assets (included in the property, plant and equipment) (Continued)

Fair value measurement of the industrial buildings, offices and car parks

In estimating the fair value of the Group's industrial buildings, offices and car parks by applying the appropriate valuation techniques and inputs for fair value measurements, the Group uses market-observable data to the extent it is available. Where Level 1 inputs are not available, the Group engages third party qualified valuer to perform the valuation. The directors of the Company work closely with qualified external valuer to establish the appropriate valuation techniques and inputs to the model.

As at 31 December 2023 and 2024, industrial buildings, offices and car parks were revalued by Roma Appraisals Limited ("**ROMA**") of which the registered office is at 22/F, China Overseas Building, 139 Hennessy Road, Wan Chai, Hong Kong, an independent qualified professional valuers. ROMA, which is not connected with the Group, is a member of Hong Kong Institute of Surveyors. There has been no change from the valuation technique used in the prior years. The valuation has been adopted by the directors of the Company in the consolidated financial statements and the property revaluation decrease of HK$14,138,000 (2023: property revaluation increase of HK$6,223,000) have been charged to the property revaluation reserve for the year ended 31 December 2024.

The fair value measurements of the Group's industrial buildings, offices and car parks as at 31 December 2024 and 31 December 2023 using significant unobservable input (Level 3) are disclosed as below.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

THE GROUP AS LESSEE (CONTINUED)

Right-of-use assets (included in the property, plant and equipment) (Continued)

Fair value measurement of the industrial buildings, offices and car parks (Continued)

The fair value measurements of the Group's industrial buildings, offices and car parks as at 31 December 2024 and 31 December 2023 using significant unobservable input (Level 3) are disclosed as below.

Description	Fair value at 31.12.2024 HK$'000	Fair value at 31.12.2023 HK$'000	Valuation techniques	Significant unobservable inputs	Sensitivity
Leasehold lands and industrial buildings in Hong Kong	**69,513**	89,101	Market approach	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from HK$1,992 to HK$3,477 (2023: HK$2,856 to HK$3,341) per square foot	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Offices in the PRC	**2,340**	3,154	Market approach	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from Renminbi ("**RMB**") 15,000 to RMB48,000 (2023: RMB15,500 to RMB53,000) per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Car parks in the PRC	**85**	110	Market approach	Market unit rate, mainly taking into account the time, location and floor level, between the comparables, which is ranging from RMB120,000 to RMB160,000 (2023: RMB160,000 to RMB180,000) per slot	An increase in the market unit rate used would result in an increase in the fair value of the car parks, and vice versa.

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16. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

THE GROUP AS LESSEE (CONTINUED)

Right-of-use assets (included in the property, plant and equipment) (Continued)

Fair value measurement of the industrial buildings, offices and car parks (Continued)

Description	Fair value at 31.12.2024 HK$'000	Fair value at 31.12.2023 HK$'000	Valuation techniques	Significant unobservable inputs	Sensitivity
Offices in the Japan	**1,514**	1,605	Market approach	Market unit rate, including time, location, quality, floor level and size, between the comparables, which is ranging from YEN141,500 to YEN252,154 (2023: YEN102,793 to YEN206,337) per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Offices in the USA	**20,020**	19,097	Market approach	Market unit rate, including time, location, quality, floor level and size, between the comparables, which is ranging from US$226 to US$593 (2023: US$244 to US$527)	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Offices in the Thailand	**3,915**	3,805	Market approach	Market unit rate, including time, location, quality, floor level and size, between the comparables, which is ranging from Baht34,000 to Baht56,818 (2023: Baht42,500 to Baht48,469) per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
	97,387	116,872			

There were no transfers into or out of Level 3 during both years.

If the industrial buildings, offices and car parks of the Group had not been revalued, they would have been included in these consolidated financial statements at historical cost less accumulated depreciation and their carrying amount would have been approximately HK$30,525,183 (2023: HK$34,518,000) as at 31 December 2024.

17. INVESTMENT PROPERTIES

	Investment properties *HK$'000*
FAIR VALUE	
At 1 January 2023	12,143
Transfers from property, plant and equipment *(Note 16)*	2,835
Net increase in fair value recognised in profit or loss	367
Exchange adjustments	(302)
At 31 December 2023	15,043
Net decrease in fair value recognised in profit or loss	(100)
Exchange adjustments	(379)
At 31 December 2024	14,564

The Group leased out certain properties with lease terms of 1 to 6 years to earn rental.

During the year ended 31 December 2023, the Group leased out certain offices in Thailand with lease term of 2 years to earn rentals. Accordingly, the related properties of HK$2,835,000 was transferred to investment properties. The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

The fair value of the Group's investment properties as at 31 December 2024 and 2023 and at the respective date of transfer have been arrived at on the basis of a valuation carried out on the respective dates by ROMA, an independent qualified professional valuers not connected to the Group.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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17. INVESTMENT PROPERTIES (CONTINUED)

The following table shows the valuation techniques and significant unobservable inputs used in determination of the fair values of the investment properties:

Descriptions	Fair value at 31.12.2024 HK$'000	Fair value at 31.12.2023 HK$'000	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Car park in Hong Kong	**1,000**	1,100	Market approach	Market unit rate, mainly taking into account the time, location and floor level, between the comparables, which is ranging from HK$910,000 to HK$1,350,000 (2023: HK$990,000 to HK$1,450,000 per slot	An increase in the market unit rate used would result in an increase in the fair value of the car parks, and vice versa.
				Offices	**Offices**
Offices and factories in the PRC	**10,654**	11,018	Market approach	Market unit rate, mainly taking into account the time, location, quality, floor level and size, between the comparables, which is ranging from RMB15,000 to RMB27,600 (2023: RMB15,500 to RMB30,000) per square meter	An increase in the market unit rate used would result in a increase in the fair value of the properties, and vice versa.
				Factories	**Factories**
				Market unit rate, mainly taking into account the time, location, quality, and size, between the comparables, which is ranging from RMB360 to RMB360 (2023: RMB254 to RMB360) per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
Offices in the Thailand	**2,910**	2,925	Market approach	Market unit rate, including time, location, quality, floor level and size, between the comparables, which is ranging from Baht34,000 to Baht56,818 (2023: Baht42,500 to Baht48,469) per square meter	An increase in the market unit rate used would result in an increase in the fair value of the properties, and vice versa.
	14,564	15,043			

The fair value measurement is categorised into Level 3 fair value hierarchy.

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18. GOODWILL

	HK$'000
At 1 January 2023 and 31 December 2023	–
Acquisition of subsidiaries *(Note 37)*	575
At 31 December 2024	575

The recoverable amount of the CGU has been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 5-year period, and pre-tax discount rate of 13.4 % as at 31 December 2024. The CGUs' cash flows beyond the 5-year period are extrapolated using a steady 2 % growth rate. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. Other key assumptions for the value in use calculations relate to the estimation of cash inflows/outflows which include budgeted sales and gross margin, such estimation is based on the past performance and management's expectations of market development. During the year ended 31 December 2024, the management of the Group determines that there is no impairment on the goodwill recognised.

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2024 ***HK$'000***	2023 *HK$'000*
Non-current assets		
Financial assets measured at FVTPL		
– Life insurance contracts *(Note (a))*	**43,789**	41,790
– Investment fund *(Note (b))*	**977**	2,010
	44,766	43,800

These investments are not held for trading but for long-term strategic purposes.

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19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

Notes:

(a) The Group entered into certain life insurance contracts for Mr. Chang Yoe Chong Felix, a director of the Company. Under the policies, Evergreen Factory, being the beneficiary and policy holder, is required to pay certain upfront and instalment payment for the contracts. Evergreen Factory may request a partial surrender or full surrender of the contracts at any time and receive cash back based on the value of the contracts at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "**Cash Value**"). If such withdrawal is made at any time during the first to the twentieth policy year, as appropriate, a pre-determined specified surrender charge would be imposed.

The deposits placed for the life insurance contracts carries guaranteed interests at interest rates ranging from 1.05% to 4.20% (2023: 1.80% to 5.00%) per annum plus a premium determined by counterparty during the tenures of the contracts.

Particulars of the insurance contracts are as follows:

Insured sum *HK$'000*	**Upfront and instalment payment** *HK$'000*	**Interest rates**
2024		
1,000 to 23,340	201 to 15,628	1.05% to 4.2% per annum
2023		
1,000 to 23,340	201 to 15,628	1.80% to 5.00% per annum

(b) The Group has subscribed for an investment fund, which mainly invest in listed shares in areas including Hong Kong. The fair value of this investment fund was determined by adopting the net asset value approach. The investment manager determines the net asset values of the investment fund by using methodology based on relevant comparable data to quantify the adjustment from cost or latest transaction price where appropriate, or to justify that cost or latest transaction price is a proper approximation to fair value of the underlying investments held by the investment fund.

20. INVENTORIES

	2024 **HK$'000**	2023 *HK$'000*
Raw materials	**300,717**	352,177
Work in progress	**111,626**	98,470
Finished goods	**76,158**	70,712
	488,501	521,359

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For the year ended 31 December 2024

21. TRADE AND OTHER RECEIVABLES

	2024	2023
	HK$'000	*HK$'000*
Trade receivables – contracts with customers	**211,491**	215,131
Less: Allowance of credit losses	**(1,354)**	(205)
	210,137	214,926
Other receivables	**19,330**	21,840
Consideration receivables	**8,497**	11,997
Other tax receivables	**5,409**	6,847
Prepayments	**8,555**	6,881
Deposits paid to suppliers	**12,841**	11,771
Deposits for acquisition of property, plant and equipment	**9,429**	6,542
Property rental deposits	**809**	1,011
	275,007	281,815
Analysis for reporting purpose as:		
Non-current assets	**10,238**	7,553
Current assets	**264,769**	274,262
	275,007	281,815

As at 1 January 2023, trade receivables from contracts with customers amounted to HK$195,488,000.

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.

	2024	2023
	HK$'000	*HK$'000*
0–60 days	**147,064**	150,053
61–90 days	**37,026**	46,294
91–120 days	**11,632**	10,888
Over 120 days	**14,415**	7,691
	210,137	214,926

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21. TRADE AND OTHER RECEIVABLES (CONTINUED)

The Group normally allows a credit period within 30 to 90 days (2023: within 30 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 2024, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$39,130,000 (2023: HK$29,200,000) are past due at the reporting date. Out of the past due balance, HK$8,601,000 (2023: HK$4,141,000) 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.

Details of impairment assessment of trade and other receivables are set out in Note 36.

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

22. PLEDGED BANK DEPOSITS

The amounts represent deposits pledged for banking facilities granted to the Group and are therefore classified as current assets.

Included in pledged bank deposits are the following amounts denominated in currency other than functional currencies of the relevant group entities:

	2024 **HK$'000**	2023 *HK$'000*
HK$	**18,516**	61,759

The deposits carry fixed interest rate ranging from 0.1% to 5.27% (2023: 0.001% to 5.27%) per annum. The pledged bank deposits will be released upon the settlement of relevant bank and other borrowings.

Details of impairment assessment of pledged bank deposits are set out in Note 36.

23. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include short-term deposits for the purpose of meeting the Group's short term cash commitments, which carry interest at market rates range from 0% to 5.32% (2023: 0% to 5.27%).

Included in cash and cash equivalents are the following amounts denominated in currency other than functional currency of the relevant group entities:

	2024 **HK$'000**	2023 *HK$'000*
HK$	**62,247**	13,414

Details of impairment assessment of bank balances are set out in Note 36.

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For the year ended 31 December 2024

24. TRADE AND OTHER PAYABLES

	2024	2023
	HK$'000	*HK$'000*
Trade payables	**61,418**	73,729
Accrued staff costs	**36,162**	32,671
Accruals and other payables	**21,869**	7,837
Other employee liabilities	**15,879**	17,392
	135,328	131,629

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:

	2024	2023
	HK$'000	*HK$'000*
0–60 days	**27,304**	39,934
61–120 days	**2**	2
Over 120 days *(Note)*	**34,112**	33,793
	61,418	73,729

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 registered and operates in the PRC (the "**Evergreen (YZ)**") to demand immediate settlement of trade payables with a carrying amount of HK$30,334,000 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 Evergreen (YZ) was required to settle all the outstanding trade payables and the related interest of HK$2,448,000 and certain right-of-use assets with a carrying amount of HK$4,383,000 and other property plant and equipment with a carrying amount of HK$2,173,000 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.

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

	2024	2023
	HK$'000	*HK$'000*
HK$	**19,143**	27,352

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25. CONTRACT LIABILITIES

	2024 *HK$'000*	2023 *HK$'000*
Receipt in advance for sale of hair products	**2,958**	10,832

As at 1 January 2023, contract liabilities amounted to HK$7,100,000.

Contract liabilities represent amounts received in advance for sale of hair products. During the year ended 31 December 2024, the Group has recognised revenue of HK$10,832,000 (2023: HK$7,100,000) that was included in the contract liabilities balance at the beginning of the respective 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 increased mainly due to the increase of pre-order for future sales during the year.

26. AMOUNTS DUE TO A RELATED COMPANY/A NON-CONTROLLING SHAREHOLDER OF A SUBSIDIARY

Amount due to a related company represented the amount due to Hopcom Software Company Limited, which is controlled by Mr. Chang Yoe Chong Felix, who is a director and controlling shareholder of the Company. The amount is non-trade nature, unsecured, interest bearing at Hong Kong Interbank Offered Rate ("**HIBOR**") plus 3.5% and repayable on demand for both years.

The amount due to a non-controlling shareholder of a subsidiary is non-trade nature, unsecured, interest-free and repayable on demand for both years.

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For the year ended 31 December 2024

27. SECURED BANK AND OTHER BORROWINGS

	2024 **HK$'000**	2023 HK$'000
Secured:		
Bank borrowings	**472,194**	454,243
Bank borrowings under supplier financing arrangement *(Note)*	**72,850**	130,034
Other borrowing	**17,288**	19,458
	562,332	603,735

Note: The Group has entered into certain supplier finance arrangements with banks. Under these arrangements, the banks pay suppliers the amounts owed by the Group in advance of the original due dates at a discount offered by the suppliers. The Group's obligations to suppliers are legally extinguished on settlement by the relevant banks. The Group then settles with the banks between 60 – 120 days (2023: 60 – 120 days) after settlement by the banks. The interest rates are consistent with the Group's short-term borrowing rates.

Changes in liabilities that are subject to supplier finance arrangements are primarily attributable to additions resulting from purchases of goods and services and subsequent cash settlements. In the consolidated statement of cash flows, repayments to the banks are included within financing cash flows based on the nature of the arrangements, and payments to the suppliers by the banks are disclosed as non-cash transactions.

CARRYING AMOUNT OF THE FINANCIAL LIABILITIES THAT ARE SUBJECT TO SUPPLIER FINANCE ARRANGEMENTS

	2024 **HK$'000**	2023 HK$'000
Carrying amount of the financial liabilities that are subject to supplier finance arrangements		
Presented as part of "Trade and other payables"	**10,328**	7,498
Carrying amount of the financial liabilities that are subject to supplier finance arrangements		
– Liabilities that are part of supplier finance arrangements	**60 to 120 days**	N/A
– Comparable trade payables that are not part of supplier finance arrangements	**0 to 120 days**	N/A

27. SECURED BANK AND OTHER BORROWINGS (CONTINUED)

The carrying amounts of the borrowings are analysed as follows:

Bank and other borrowings with repayment on demand clause are classified as current liabilities on the consolidated statement of financial position. The Group's bank and other borrowings are payable as follows:

	2024 ***HK$'000***	2023 *HK$'000*
Bank borrowings that contain a repayment on demand clause (shown under current liabilities) but repayable:		
Within one year	**384,120**	511,017
Within a period of more than one year but not exceeding two years	**18,055**	7,054
Within a period of more than two years but not exceeding five years	**48,071**	21,611
Exceeding five years	**3,736**	98
	453,982	539,780
Bank borrowings that are repayable *(Note)*		
Within one year	**35,886**	9,325
Within a period of more than one year but not exceeding two years	**46,153**	3,634
Within a period of more than two years but not exceeding five years	**2,509**	23,672
Exceeding five years	**6,514**	7,866
	91,062	44,497
Other borrowings that contain a repayable on demand clause (shown under current liabilities) but repayable:		
Within one year	**12,848**	14,770
Within a period of more than one year but not exceeding two years	**4,440**	4,688
Total	**17,288**	19,458

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

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For the year ended 31 December 2024

27. SECURED BANK AND OTHER BORROWINGS (CONTINUED)

	2024	2023
	HK$'000	*HK$'000*
Amounts due within one year shown under current liabilities		
Comprising:		
Bank and other borrowings	**507,156**	568,563
Amounts shown under non-current liabilities		
Comprising:		
Bank and other borrowings	**55,176**	35,172
Total	**562,332**	603,735

The exposure of the Group's borrowings are as follows:

	2024	2023
	HK$'000	*HK$'000*
Fixed-rate borrowings	**13,075**	14,899
Variable-rate borrowings	**549,257**	588,836
	562,332	603,735

The Group's variable-rate bank borrowings carry interest with reference to HIBOR, Secured Overnight financing rate, PRC Loan Prime Rate, US$ Best Lending Rate, and Hong Kong Dollar Loan Prime Rate plus/minus a specific margin of the relevant banks. (2023: HIBOR, PRC Loan Prime Rate, US$ Best Lending Rate, and Hong Kong Dollar Loan Prime Rate plus/minus a specific margin of the relevant banks.) plus/minus a specific margin of the relevant banks.) The range of effective interest rates (which are also equalled to contractual interest rates) on the Group's bank borrowings are as follows:

	2024	2023
Effective interest rate:		
Variable-rate borrowings	**2.90% to 7.59%**	3.90% to 8.77%
Fixed-rate borrowings	**0.90% to 4.25%**	0.90% to 4.25%

The other borrowings carries interest at HIBOR plus 1.5% (2023: LIBOR plus 1.5%) per annum and were secured by the Group's bank deposits of approximately HK$7,700,000 (2023: HK$6,500,000).

27. SECURED BANK AND OTHER BORROWINGS (CONTINUED)

As at 31 December 2024 and 2023, the Group's banking facilities of HK$545,044,000 (2023: HK$584,277,000) were secured by:

(a) pledge of the Group's bank deposits of approximately HK$50,985,000 (2023: HK$87,084,000);

(b) the Group's land and buildings and carparks in Hong Kong of approximately HK$70,513,000 (2023: HK$84,501,000);

(c) the Group's land and buildings in United States and PRC of approximately HK$25,999,000 (2023: HK$22,291,000);

(d) investment properties in the PRC of approximately HK$4,664,000 (2023: HK$Nil);

(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 FVTPL of the Group.

Included in bank and other borrowings are the following amounts denominated in currency other than functional currencies of the relevant group entities:

	2024 ***HK$'000***	2023 *HK$'000*
HK$	**514,277**	559,238

LOAN COVENANTS

In respect of the bank and other borrowings with carrying amount of HK$146,300,000 as at 31 December 2024 (2023: HK$120,116,000), the Group is required to comply with the following financial covenants throughout the continuance of the relevant loan and/or as long as the loan is outstanding:

(i) the consolidated tangible net worth at any time shall not be less than HK$500,000,000;

(ii) the consolidated bank borrowings less pledged bank deposits and bank balances and cash shall not be more than HK$650,000,000; and

(iii) the ratio of the consolidated net profits before interest, taxation, depreciation and amortisation and bank balances and cash in respect of any relevant period to the interests and principal repayment of bank borrowings of that relevant period shall not be less than 1:1.

The Group has complied with these covenants as at 31 December 2023 and 2024.

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28. LEASE LIABILITIES

	2024 **HK$'000**	2023 HK$'000
Lease liabilities payable:		
Within one year	**1,318**	1,844
Within a period of more than one year but not exceeding two years	**563**	943
Within a period of more than two years but not exceeding five years	**1,570**	1,687
Exceeding five years	**6,578**	6,793
	10,029	11,267
Less: Amount due for settlement with 12 months shown under current liabilities	**(1,318)**	(1,844)
Amount due for settlement after 12 months shown under non-current liabilities	**8,711**	9,423

The weighted average incremental borrowing rates applied to lease liabilities from 2.75% to 6.50% (2023: from 2.75% to 7.20%).

29. SHARE CAPITAL OF THE COMPANY

	Number of shares	Share capital *US$'000*
Ordinary shares of US$0.01 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 31 December 2023	**1,000,000,000**	**10,000**
Issued and fully paid		
At as 1 January 2023	686,082,000	6,861
Shares repurchased and cancelled *(Note (i))*	(30,430,000)	(304)
At as 31 December 2023	**655,652,000**	**6,557**
Shares repurchased and cancelled *(Note (ii))*	**(8,978,000)**	**(90)**
At as 31 December 2024	**646,674,000**	**6,467**

Shown in the consolidated financial statements as:

	Amount *HK$'000*
At 31 December 2024	**50,311**
At 31 December 2023	51,010

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29. SHARE CAPITAL OF THE COMPANY (CONTINUED)

Notes:

(i) During the year ended 31 December 2023, the Company repurchased and cancelled 30,430,000 of its own ordinary shares through the Hong Kong Stock Exchange, and the total amount paid of HK$19,766,000 to acquire the cancelled shares of HK$2,367,454 was deducted from equity.

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid
		Highest	Lowest	
	'000	*HK$*	*HK$*	*HK$'000*
September 2023	15,870	0.65	0.63	10,256
October 2023	14,560	0.65	0.64	9,510
	30,430			19,766

(ii) During the year ended 31 December 2024, the Company repurchased and cancelled 8,978,000 of its own ordinary shares through the Hong Kong Stock Exchange, and the total amount paid of HK$5,730,000 to acquire the cancelled shares of HK$699,000 was deducted from equity.

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid
		Highest	Lowest	
	'000	*HK$*	*HK$*	*HK$'000*
September 2024	8,978	0.64	0.62	5,730

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30. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Revaluation of land and buildings *HK$'000*	Accelerated accounting depreciation *HK$'000*	Total *HK$'000*
At 1 January 2023	8,535	(1,055)	7,480
Charge to equity	12	–	12
Charge to profit or loss *(Note 13)*	–	635	635
Exchange adjustment	–	(310)	(310)
At 31 December 2023	**8,547**	**(730)**	**7,817**
Charge to profit or loss *(Note 13)*	**–**	**1,356**	**1,356**
Credit to equity	**(1,166)**	**–**	**(1,166)**
Exchange adjustment	**–**	**(1,102)**	**(1,102)**
At 31 December 2024	**7,381**	**(476)**	**6,905**

Under the tax law of Bangladesh, withholding tax is imposed on dividends declared in respect of profits earned by Bangladesh subsidiaries. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the Bangladesh subsidiaries as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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31. SHARE BASED PAYMENT TRANSACTIONS

SHARE OPTION SCHEMES

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

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

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

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

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

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

32. RETIREMENT BENEFITS SCHEME

DEFINED CONTRIBUTION SCHEMES

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "**MPF Scheme**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance. Under the MPF Scheme, the employees are required to contribute 5% of their monthly salaries or up to a maximum of HK$1,500 and they can choose to make additional contributions. The employer's monthly contributions are calculated at 5% of the employee's monthly salaries or up to a maximum of HK$1,500 (the "**Mandatory Contributions**"). The employees are entitled to 100% of the employer's Mandatory Contributions upon their retirement at the age of 65, death or total incapacity.

The 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. The Group are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

Provident fund in Bangladesh is not mandatory but the subsidiaries are required to create such a fund once three-fourth of the eligible employees demand so. If they demand so, the employees of the Group's factories in Bangladesh will be covered by a company self-managed provident fund operated by respective subsidiaries of the Group in Bangladesh. Relevant subsidiaries will be required to contribute a minimum specified percentage of payroll costs to the provident fund to fund the benefits. The minimum contribution for the eligible employees is 8.33% of their basic salaries. Those subsidiaries are obliged to set up the trustee board for managing the contribution to the provident fund with participation from both of the company management team and the employees.

Provident fund in other jurisdictions is based on the local government policy.

During the year ended 31 December 2024, the total retirement benefits scheme contribution arising from the MPF Scheme and state-managed retirement benefit scheme charged to profit or loss were HK$4,787,000 (2023: HK$4,836,000).

OBLIGATION TO PAY LONG SERVICE PAYMENT ("LSP") UNDER HONG KONG EMPLOYMENT ORDINANCE CHAPTER 57

Pursuant to the Employment Ordinance, Chapter 57, the subsidiaries operating in Hong Kong of the Group have the obligation to pay LSP to qualifying employees in Hong Kong upon certain circumstances (e.g. dismissed by employers or upon retirement), subject to a minimum of 5 years employment period, based on the certain formula. Furthermore, the Mandatory Provident Fund Schemes Ordinance passed in 1995 permits the Group to utilise the Group's mandatory MPF contributions, plus/minus any positive/negative returns thereof, for the purpose of offsetting LSP payable to an employee.

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32. RETIREMENT BENEFITS SCHEME (CONTINUED)

OBLIGATION TO PAY LONG SERVICE PAYMENT ("LSP") UNDER HONG KONG EMPLOYMENT ORDINANCE CHAPTER 57 (CONTINUED)

The Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 was gazetted on 17 June 2022, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP (the "**Abolition**"). The Abolition will officially take effect on the Transition Date (i.e., 1 May 2025). Separately, the Government of the HKSAR is also expected to introduce a subsidy scheme to assist employers for a period of 25 years after the Transition Date on the LSP payable by employers up to a certain amount per employee per year.

The Group's LSP obligation, taking into consideration the Abolition, is considered to be insignificant as at 31 December 2024 and 2023.

33. CAPITAL COMMITMENT

	2024	2023
	HK$'000	*HK$'000*
Contracted but not provided in the consolidated financial statements in respect of the acquisition of land for construction	**6,566**	649

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34. RELATED PARTY TRANSACTIONS

Other than the transaction and balances disclosed elsewhere in the consolidated financial statements, the Group had the following transactions with related parties during the year:

(A)

	2024	2023
	HK$'000	*HK$'000*
Computer products and service expenses	**1,080**	1,080

The Group entered into transactions with Hopcom Software Company Limited which is controlled by Mr. Chang Yoe Chong, Felix, who is also the director and controlling shareholder of the Company.

(B) COMPENSATION OF KEY MANAGEMENT PERSONNEL

The directors of the Company are identified as key management member of the Group, and their compensation during the years was set out in Note 12. The remuneration of key management personnel is determined with regards to the performance of individuals and market trends.

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debts which includes secured bank and other borrowings disclosed in Note 27, lease liabilities disclosed in Note 28, net of cash and cash equivalents and equity attributable to owners of the Group, comprising issued share capital, other reserves and retained profits.

The directors of the Group review the capital structure on a semi-annual basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues, and repurchase of shares as well as the issue of new debt or the redemption of existing debt.

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36. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2024 **HK$'000**	2023 HK$'000
Financial assets		
Financial assets at amortised cost	**404,673**	433,941
Financial assets at FVTPL	**44,766**	43,800
	449,439	477,741
Financial liabilities		
Amortised cost	**641,743**	686,852

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include trade and other receivables, financial assets at FVTPL, pledged bank deposits, bank balances and cash, trade and other payables, secured bank and other borrowings, amounts due to a non-controlling shareholder of a subsidiary and a related company. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, other price risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk

Currency risk

The Group undertakes certain operating transactions in foreign currency, which exposes the Group to foreign currency risk. The Group currently does not have a foreign currency hedging policy. However, the directors of the Company monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should such need arise.

At the end of the reporting period, the carrying amounts of monetary assets (including intra-group balances) and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows:

	Liabilities		**Assets**	
	2024	2023	**2024**	2023
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Australian dollars	**–**	–	**612**	658
Canadian dollars	**–**	–	**1,096**	1,151
Euro dollars	**–**	–	**1,279**	1,343
Great British Pound	**84**	–	**1,016**	743
RMB	**38,637**	14,968	**269**	2,448
HK$	**249,871**	572,163	**123,151**	146,294

The directors of the Company consider that the Group is exposed to minimal currency risk as HK$ is pegged to US$ which is the functional currency of certain group entities, and the exposure to other foreign currencies is not significant. Sensitivity on foreign currency risk is therefore not presented.

Other price risk

The Group is exposed to other price risk arising from investment fund and life insurance contracts which were classified as financial assets at FVTPL.

No sensitivity analysis of investment funds and life insurance contracts are presented as a reasonably possible change in the net asset value and account values would not have significant impact on the profit of the Group.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Market risk (Continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. The Group is exposed to cash flow interest rate risk in relation to bank balances (see Note 23 for details) and variable-rate bank and other borrowings (see Note 27 for details of these borrowings). The Group aims at keeping borrowings at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. From time to time, if interest rate fluctuates significantly, interest rate swaps may be used to convert some of the floating interest rates borrowings to fixed rates, to manage interest rate exposure.

The Group's exposures to interest rates on financial liabilities is detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of Hong Kong Dollar Prime Rate, HIBOR and PRC Loan Prime Rate, SOFR, arising from the Group's HK$ and RMB borrowings.

Cash flow interest rate risk in relation to variable-rate bank balances is considered insignificant as minimal taking into account the minimal fluctuation on market interest rate. Accordingly, no interest rate sensitivity analysis is prepared.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. For variable-rate bank borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 100 basis points (2023: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 100 basis points (2023: 100 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2024 would decrease/increase by approximately HK$4,586,000 (2023: HK$4,917,000) respectively.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment

At the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Pledged bank deposits and bank balances

The credit risk on pledged bank deposits and bank balances are limited because the counterparties are banks with sound credit ratings Aa – B (2023: Aa – B) assigned by international credit-rating agencies. The Group assessed 12m ECL for bank balances and pledged bank deposits by reference to information relating to probability of default and loss given default of the respective credit rating grades published by external credit rating agencies. Based on the average loss rates, the Group assessed that the 12m ECL on bank balances and pledged bank deposits were insignificant and thus no loss allowance was recognised.

Trade receivables

The Group has concentration of credit risk as 30% (2023: 32%) and 78% (2023: 83%) of the total trade receivables was due from the Group's largest customer and the five largest customers respectively within the hair products business segment.

The Group's concentration of credit risk by geographical location is mainly in the USA, which account for 96% (2023: 97%) of the total trade receivables as at 31 December 2024. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed once a year.

The ECL on trade receivables are assessed individually.

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36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

Trade receivables (Continued)

The tables below detail the credit risk exposures of the Group's trade receivables which are subject to ECL assessment:

	Note	Internal management assessment	12m or lifetime ECL	Gross carrying amount	
				2024	2023
				HK$'000	*HK$'000*
Trade receivables	*21*	Note	Lifetime ECL (not credit-impaired)	**211,491**	215,131

Note: These amounts are assessed individually by applying lifetime ECL approach based on historical default and loss data and adjusted for forward-looking factors.

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	HK$'000	*HK$'000*	*HK$'000*
As at 1 January 2023	151	–	151
New financial assets originated:			
– impairment losses recognised	54	–	54
As at 31 December 2023	**205**	**–**	**205**
New financial assets originated:			
– impairment losses recognised	**–**	**1,354**	**1,354**
– write-off	**(205)**	**–**	**(205)**
As at 31 December 2024	**–**	**1,354**	**1,354**

36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Credit risk and impairment assessment (Continued)

Trade receivables (Continued)

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

Other receivables and deposits

For other receivables and deposits, the directors of the Group make periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. In the opinion of the directors of the Company, the internal credit rating of the related debtors is at low risk. Except for the credit-impaired other receivables amounting to HK$Nil as at 31 December 2024 (2023: HK$1,999,000), the management of the Group believes that there are no significant increase in credit risk of the remaining other receivables and deposits since initial recognition and the Group provided impairment based on 12m ECL. The Group assessed that the 12m ECL on other receivables and deposits with a total gross carrying amount of HK$28,635,000 as at 31 December 2024 (2023: HK$34,848,000) are insignificant and thus no impairment loss allowance was recognised.

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36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk

Liquidity risk reflects the risk that the Group will have insufficient resources to settle its financial liabilities as they fall due. In managing liquidity risk, the Group monitors and maintains sufficient funds to meet all its potential liabilities as they fall due. It is applicable to normal market conditions as well as negative projections against expected outcomes, so as to avoid any risk of incurring contractual penalties or damaging the Group's reputation.

Liquidity forecasts are produced on a monthly basis, to ensure that utilisation of current facilities is optimised; on a quarterly basis to ensure that covenant compliance targets and medium-term liquidity is maintained; and on a long-term projection basis, for the purpose of identifying long-term strategic funding requirements. The board of directors also continuously assesses the balance of capital and debt funding of the Group.

The board of directors continuously manages liquidity risk on a regular basis and will increase the frequencies of such assessment should need arise. Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves of cash and banking facilities and by continuously monitoring the utilisation of bank borrowings and ensuring compliance with loan covenants.

36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

The following tables detail the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity analysis for other non-derivative financial liabilities is prepared based on the scheduled repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	Weighted average interest rate %	On demand HK$'000	Within 1 year HK$'000	1–5 years HK$'000	Over 5 years HK$'000	Total undiscounted cash flows HK$'000	Carrying amount HK$'000
At 31 December 2024							
Financial liabilities							
Trade and other payables	–	68,756	–	–	–	68,756	68,756
Amount due to a non-controlling shareholder of a subsidiary	–	2,471	–	–	–	2,471	2,471
Amount due to a related company	8.08	8,184	–	–	–	8,184	8,184
Secured bank and other borrowings	6.13	477,411	36,973	49,928	7,219	571,531	562,332
Lease liabilities	6.26	–	1,877	3,999	10,051	15,927	10,029
		556,822	38,850	53,927	17,270	666,869	651,772

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36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

	Weighted average interest rate %	On demand *HK$'000*	Within 1 year *HK$'000*	1–5 years *HK$'000*	Over 5 years *HK$'000*	Total undiscounted cash flows *HK$'000*	Carrying amount *HK$'000*
At 31 December 2023							
Financial liabilities							
Trade and other payables	–	42,319	32,272	–	–	74,591	74,591
Amount due to a non-controlling shareholder of a subsidiary	–	2,376	–	–	–	2,376	2,376
Amount due to a related company	8.77	6,150	–	–	–	6,150	6,150
Secured bank and other borrowings	6.86	568,052	9,992	29,549	8,718	616,311	603,735
Lease liabilities	7.20	–	2,420	4,615	10,895	17,930	11,267
		618,897	44,684	34,164	19,613	717,358	698,119

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36. FINANCIAL INSTRUMENTS (CONTINUED)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Liquidity risk (Continued)

Secured bank and other borrowings with a repayment on demand clause are included in the "on demand" time band in the above maturity analysis. As at 31 December 2024, the aggregate carrying amounts of these secured bank and other borrowings amounted to HK$467,931,000 (2023: HK$559,238,000). Taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors believe that such bank and other borrowings will be repaid in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

Maturity analysis – Secured bank and other borrowings with a repayment on demand clause based on scheduled repayments

	Interest rate	Less than 1 year	1–5 years	Over 5 years	Total undiscounted cash flow	Carrying amount
	%	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
31 December 2024	**6.30**	**399,682**	**73,809**	**3,920**	**477,411**	**467,931**
31 December 2023	7.13	529,701	38,251	100	568,052	559,238

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36. FINANCIAL INSTRUMENTS (CONTINUED)

(C) FAIR VALUE INSTRUMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the year end. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and inputs used).

Financial assets and liabilities	Fair value		Fair value hierarchy	Valuation techniques and key inputs
	2024 ***HK$'000***	2023 *HK$'000*		
Investment fund classified as financial assets at FVTPL	**Assets – 977**	Assets – 2,010	Level 3	Based on the net asset values of the investment fund
Life insurance contracts classified as financial assets at FVTPL *(Note)*	**Assets – 43,789**	Assets – 41,790	Level 3	Account values quoted by insurance companies.

Note: The returns of these financial assets represent the guaranteed interest plus a premium determined by the insurance companies minus the related surrender charge for termination of the life insurance contracts including the investment component. The directors of the Company consider the account values, which represents the surrender rate, quoted by the insurance companies as at 31 December 2024 and 31 December 2023 approximate the fair value.

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36. FINANCIAL INSTRUMENTS (CONTINUED)

(C) FAIR VALUE INSTRUMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

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

Reconciliation of Level 3 fair value measurements

	Investments fund *HK$'000*	Life insurance contracts *HK$'000*	Total *HK$'000*
At 1 January 2023	2,659	40,013	42,672
Purchased	1,681	566	2,247
Change in fair value charged to profit or loss	(2,330)	1,211	(1,119)
At 31 December 2023	**2,010**	**41,790**	**43,800**
Purchased	**–**	**567**	**567**
Change in fair value charged to profit or loss	**834**	**1,432**	**2,266**
Withdrawal	**(1,867)**	**–**	**(1,867)**
At 31 December 2024	**977**	**43,789**	**44,766**

Fair value of the group's financial assets and financial liabilities that are not measured at fair value on a recurring basis

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

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For the year ended 31 December 2024

37. ACQUISITION OF SUBSIDIARIES

In June 2024, the Group has entered into sales and purchase agreements with an individual, pursuant to which the Group offer to purchase 80% equity interests in Better Solutions Trading Limited and Asia Bliss Limited (collectively referred to as "**Target Companies**"), limited liability companies established in British Virgin Island by a cash consideration of HK$10,000,000. The acquisition was completed on 31 August 2024.

Assets acquired and liabilities recognised at the date of acquisition were as follows:

	HK$'000
Property, plant and equipment	3,913
Inventories	6,321
Trade and other receivables	12,444
Tax recoverable	41
Cash and cash equivalents	9,815
Customer relationship	310
Trade and other payables	(9,560)
Bank borrowings	(11,581)
	11,703

The fair value and the gross contractual amounts of trade and other receivables at the date of acquisition amounted to HK$12,444,000.

NON-CONTROLLING INTERESTS

The non-controlling interests recognised at the acquisition date was measured by reference to the net assets of Target Companies and amounted to HK$2,278,000.

	Goodwill arising on acquisition *HK$'000*
Consideration transferred	10,000
Plus: non-controlling interest (20%)	2,278
	12,278
Less: fair value of identifiable net assets acquired (100%)	(11,703)
Goodwill arising on acquisition	575

37. ACQUISITION OF SUBSIDIARIES (CONTINUED)

NON-CONTROLLING INTERESTS (CONTINUED)

Goodwill arose in the acquisition of Target Companies because the consideration paid for the acquisition effectively included amounts in relation to better benefits of expected synergies, revenue growth prospect and future market development of Target Companies. These assets could not be separately recognised from goodwill because they are not capable of being separated from the Group and sold, transferred, licensed, rented or exchanged, either individually or together with any related contract.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

NET CASH OUTFLOW ARISING ON ACQUISITION

	HK$'000
Consideration paid	(10,000)
Less: cash and cash equivalents acquired	9,815
	185

No pro forma information for the acquisition of Target Companies is prepared as the management of the Group considers that the Target Companies had no significant contribution to the Group's revenue or financial performance for the period from 31 August 2024 to 31 December 2024 and the pro forma revenue and results of operations of the Group had the acquisition of the Target Companies been completed on 1 January 2024 approximate to the Group's revenue and results for the year ended 31 December 2024.

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38. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amount due to a related company	Amount due to a non-controlling shareholder of a subsidiary	Secured bank and other borrowings	Dividend payable	Bank overdrafts	Lease liabilities	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2023	10,750	12,093	521,763	–	18,491	9,648	572,745
Finance costs	442	–	34,398	–	–	989	35,829
New lease entered	–	–	–	–	–	3,248	3,248
Supply chain financing *(Note 39)*	–	–	287,500	–	–	–	287,500
Dividends recognised	–	–	–	54,200	–	–	54,200
Financial cash flows	(5,042)	(9,535)	(233,955)	(54,200)	(17,553)	(2,841)	(323,126)
Exchange adjustment	–	(182)	(5,971)	–	(938)	223	(6,868)
At 31 December 2023	**6,150**	**2,376**	**603,735**	**–**	**–**	**11,267**	**623,528**
Finance costs	**258**	**–**	**40,020**	**–**	**–**	**694**	**40,972**
New lease entered	**–**	**–**	**–**	**–**	**–**	**1,030**	**1,030**
Acquisition of subsidiaries *(Note 37)*	**–**	**–**	**11,581**	**–**	**–**	**–**	**11,581**
Supply chain financing *(Note 39)*	**–**	**–**	**241,933**	**–**	**–**	**–**	**241,933**
Dividends recognised	**–**	**–**	**–**	**38,412**	**–**	**–**	**38,412**
Financial cash flows	**1,776**	**–**	**(333,089)**	**(38,412)**	**–**	**(2,881)**	**(372,606)**
Exchange adjustment	**–**	**95**	**(1,848)**	**–**	**–**	**(81)**	**(1,834)**
At 31 December 2024	**8,184**	**2,471**	**562,332**	**–**	**–**	**10,029**	**583,016**

39. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into new lease agreements for the use of leasehold lands, leased properties and factory buildings for 2 to 6 years (2023: leasehold lands and factory buildings for 2 to 6 years). On the lease commencement, the Group recognised HK$1,030,000 of right-of-use assets under property, plant and equipment and of HK$1,030,000 lease liabilities (2023: HK$3,248,000 of right-of-use assets under property, plant and equipment and of HK$3,248,000 lease liabilities).

During the year, bank borrowings under supply chain financing arrangements of HK$241,933,000 (2023: HK$287,500,000) represent the payments to the suppliers by the relevant banks directly.

40. OPERATING LEASING ARRANGEMENTS

THE GROUP AS LESSOR

All of the properties are held by the Group for rental purposes have committed lessees for the next three years (2023: four years).

Undiscounted lease payments receivable on leases are as follows:

	2024	2023
	HK$'000	*HK$'000*
Within one year	**807**	1,008
In the second year	**608**	603
In the third year	**352**	438
In the fourth year	**–**	292
	1,767	2,341

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41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of the Company's principal subsidiaries at 31 December 2024 and 2023 are as follows:

Name	Issued and fully paid-up capital/ contributed capital	Attributable equity interest indirectly held by the Company 2024	2023	Place of registration/ operation and incorporation	Principal activities
昆明訓修髮製品有限公司 Kunming Evergreen Hair Products Co., Ltd.*	HK$45,526,000	**100%**	100%	The PRC	Manufacturing and trading of hair products
訓修實業(禹州)有限公司 Evergreen Products Factory (YZ) Co., Ltd.*	US$2,000,000	**100%**	100%	The PRC	Manufacturing and trading of hair products
訓修實業(深圳)有限公司 Evergreen Products Factory (SZ) Co., Ltd.*	US$2,400,000	**100%**	100%	The PRC	Technological development of hair products and property investment
東莞訓修髮製品有限公司 Evergreen Products Factory (DG) Co., Ltd.*	US$1,500,000	**100%**	100%	The PRC	Property holding
深圳訓修髮製品有限公司 Shenzhen Evergreen Hair Products Co., Ltd.#	HK$3,000,000	**100%**	100%	The PRC	Manufacturing and trading of hair products
Evergreen Products Factory (BD) Limited	Taka1,000,050,000	**100%**	100%	Bangladesh	Manufacturing and trading of hair products
EPF Global Enterprises Limited	HK$10,000	**100%**	100%	Hong Kong	Trading of hair products
EPF International Limited	HK$10,000	**100%**	100%	Hong Kong	Trading of hair products
Gold Timing Manufacture (BD) Limited	Taka100,000	**100%**	100%	Bangladesh	Manufacturing and trading of hair products
Wisdom Ocean Limited	HK$10,000	**100%**	100%	Hong Kong	Trading of hair products through internet
Gold Rocket Limited	Taka100,000	**100%**	100%	Bangladesh	Provision of logistic services to group companies
Trillion Gold Limited	Taka100,000	**100%**	100%	Bangladesh	Provision of water treatment service to the group companies, manufacturing and trading of hair products

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41. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (CONTINUED)

Name	Issued and fully paid-up capital/ contributed capital	Attributable equity interest indirectly held by the Company 2024	2023	Place of registration/ operation and incorporation	Principal activities
Dong Jin Industrial (BD) Company Limited	Taka100,000	**100%**	100%	Bangladesh	Manufacturing, export and import of hair products
I-Corporation	YEN3,000,000	**100%**	100%	Japan	Trading of hair products
Golden Chance Limited	YEN3,000,000	**100%**	100%	Japan	Trading of hair products through internet
E5 Co., Ltd.	YEN9,000,000	**51%**	51%	Japan	Trading of hair products
Purple Stone Inc.	US$1,000	**100%**	100%	The USA	Property holding
Purple Star Inc.	US$1,000	**100%**	100%	The USA	Trading of hair products through internet
Red Stone Inc.	US$50,000	**100%**	100%	The USA	Property holding
Evergreen Factory	HK$3,000,000	**100%**	100%	Hong Kong	Manufacturing and trading of hair products and investment holdings
Master Purple (BD) Limited	Taka10,000,000	**100%**	100%	Bangladesh	Manufacturing, export and import of hair products
Million Gold Limited	Taka100,000	**100%**	100%	Bangladesh	Manufacturing and trading of hair products
Kord Holdings Inc	US$10,000	**80%**	–	The BVI	Manufacturing, export and import of festival products
Asia Bliss Limited	US$1,000	**80%**	–	The BVI	Manufacturing, export and import of festival products

* Limited liability company (solely invested by Taiwan, Hong Kong or Macao legal person) established in the PRC.

Limited liability company (solely invested by Hong Kong legal person) established in the PRC.

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

None of the subsidiaries had issued any debt securities at the end of the year.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period includes:

	2024 **HK$'000**	2023 HK$'000
Non-current assets		
Investment in a subsidiary	**545,081**	545,172
Amount due from a subsidiary	**146,281**	189,806
	691,362	734,978
Current assets		
Prepayments and other receivables	**177**	26
Bank balances and cash	**1,073**	712
	1,250	738
Current liability		
Accruals and other payables	**2,126**	953
Net current liabilities	**(876)**	(215)
	690,486	734,763
Capital and reserves		
Share capital	**50,311**	51,010
Reserves	**640,175**	683,753
Equity attributable to owners of the Company	**690,486**	734,763

Notes to the Consolidated Financial Statements

For the year ended 31 December 2024

43. RESERVES OF THE COMPANY

MOVEMENT IN THE COMPANY'S RESERVES

	Share premium *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2023	466,772	285,350	752,122
Profit and total comprehensive income for the year	–	3,230	3,230
Dividends recognised as distribution	–	(54,200)	(54,200)
Share repurchases and cancellation	(17,399)	–	(17,399)
At 31 December 2023	**449,373**	**234,380**	**683,753**
Loss and total comprehensive expense for the year	**–**	**(135)**	**(135)**
Dividends recognised as distribution	**–**	**(38,412)**	**(38,412)**
Share repurchases and cancellation	**(5,031)**	**–**	**(5,031)**
At 31 December 2024	**444,342**	**195,833**	**640,175**

Five-Year Financial Summary

Results	2020 *HK$'000*	2021 *HK$'000*	2022 *HK$'000*	2023 *HK$'000*	**2024** ***HK$'000***
Revenue	890,201	1,207,420	1,100,375	979,240	**1,016,362**
Gross profit	152,655	248,808	257,095	233,233	**243,536**
Profit (loss) before tax	(17,350)	62,303	62,247	54,787	**52,712**
Profit (loss) for the year	(17,982)	57,075	58,308	48,224	**39,726**
Attributable to:					
Owners of the Company	(16,176)	54,067	66,289	51,011	**39,916**
Non-controlling interests	(1,806)	3,008	(7,981)	(2,787)	**(190)**
Basic earnings (losses) per share (HK$ cents)	(0.02)	0.08	0.10	0.08	**0.06**
Dividends	–	16,466	37,048	47,829	**19,400**

Assets and liabilities	2020 *HK$'000*	2021 *HK$'000*	2022 *HK$'000*	2023 *HK$'000*	**2024** ***HK$'000***
Non-current assets	776,970	773,879	678,665	646,996	**602,912**
Current assets	980,220	942,097	891,908	984,570	**932,027**
Current liabilities	859,614	720,411	652,750	734,054	**668,917**
Net current assets	120,606	221,686	239,158	250,516	**263,110**
Non-current liabilities	24,621	73,874	29,735	52,412	**70,792**
Net assets	872,955	921,691	888,088	845,100	**795,230**