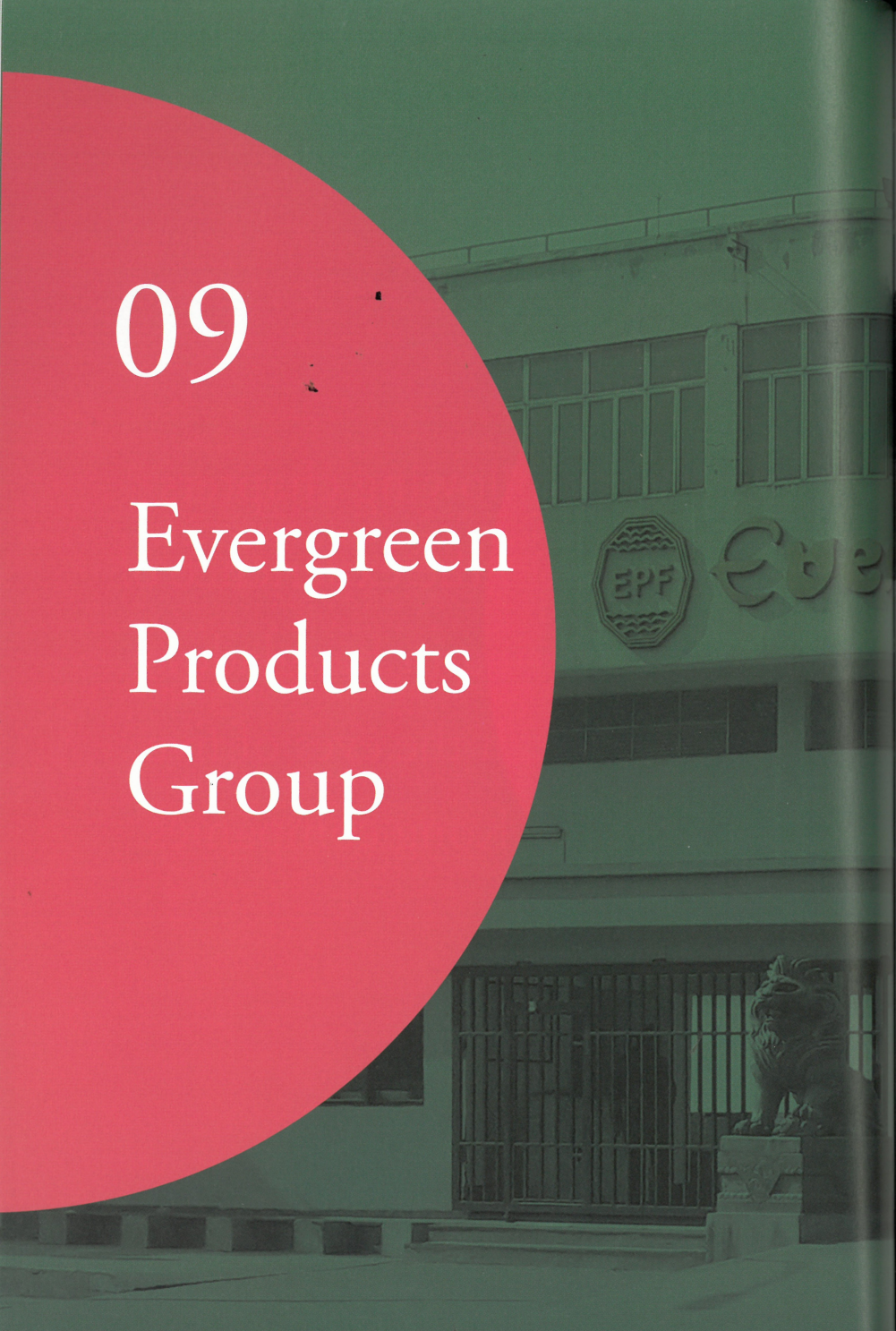




Run with the Royal Bengal Tiger — Invest in Bangladesh

09

Evergreen
Products
Group





The Factory of Evergreen Products Group in Bangladesh. (Courtesy of Evergreen Products Group)

Felix Chang, chairman of the Evergreen Products Group, is one of the biggest Hong Kong investors in Bangladesh. He employs 18,000 people in four factories in Saidpur, Dinajpur and Nilphamari, 360 kilometres northwest of Dhaka. They account for 90 per cent of the company's revenue, with the rest coming from three factories in China. Chang spends seven months of the year in Bangladesh.

The Evergreen Group is one of the world's leading makers of hair goods; it was established in 1962 in Hong Kong by Chang Chih-lung,

the father of Felix. He began by manufacturing wigs for Halloween. Today the company ranks among the top five synthetic hair goods makers in the world by sales. The major markets for his goods are Japan, the United States, Britain, South Africa and China. Its products include fashion wigs: lace wigs: hair pieces and accessories: men's wigs and toupes: moustache and beards. It uses human and synthetic hair and makes goods for different ethnic groups. The company slogan is: "We do not just produce wigs, we also produce beauty, joy and fun."

In 1984, the company opened his first factory in mainland China, in Guangzhou. In 1987, a second followed in Shenzhen; and in 1995, a third in Kunming, the home place of the Chang family. Felix joined the firm in 1992, after graduating from Warwick University in England. In 2005, the firm opened a fourth plant in Henan, using human hair as its raw material.

“In 2009, we started to look at production sites in Southeast Asia,” said Felix Chang. “Costs were rising in China, including wages, rents and other fees, such as social insurance. Wigs are similar to garments, with the production process 60 per cent the same. They require sewing machines and are more labour-intensive than garments. I looked at which countries exported the most garments to the U.S. China was first, followed by Bangladesh. So I went there and looked at the market.”

His choice of site was unusual for a foreign entrepreneur – Nilphamari, far from Dhaka and close to the country’s northern border with India. In 2009, there were no flights between the two cities. So the journey was a drive of eight-nine hours. To reach Chittagong, the country’s sole export port, was a second journey of 350 km. With lorries banned from Dhaka during the daytime, that meant a journey time of 26 hours from Nilphamari to Chittagong to deliver products for exports and bring raw materials. Chang chose the northern city because of the abundance of land. He rented 40,000 square metres inside its Export Processing Zone (EPZ) and was given 10 years without profit tax. Of his staff, 12,000 work in factories within the zone. In addition, he bought land outside the EPZ; 6,000 work in plants on this land. Foreigners are allowed to buy land outside the EPZs but not inside; inside, they may only rent from the government for 30 years and then extend. The other



The factories of Evergreen in Bangladesh have 39 production lines, with 450-500 workers on each. (Courtesy of Evergreen Products Group)

advantage of Nilphamari was an abundance of labour. “In big cities, workers will leave for other jobs. In smaller cities, the workforce is more stable.”

He pays for his raw materials and receives payment for his goods in U.S. dollars; he also pays rent to the local government and electricity fees in U.S. dollars. To pay wages and other local expenses, he converts U.S. dollars into takas. To ensure a stable power supply, he imported 40 generators from China, to use during local shortages. “The

government has built more power plants, so the supply has improved. The average wage in the EPZ is US\$105 per month, up from US\$75 in 2014. After training, the quality of the workers is good. We have 39 production lines, with 450-500 workers on each. The line managers are all Bangladeshis. We have 55 technicians from China Mainland and one from Hong Kong who live in apartments within the EPZ; that is where I stay when I am at the plant. The EPZ is protected by security guards.”



Felix Chang, chairman of Evergreen Products Group, makes a donation to Bangladesh Prime Minister Sheikh Hasina. (Courtesy of Consulate General Hong Kong)

His factories use synthetic hair imported mostly from Japan, South Korea and China; they also use human hair from China and India. The firm keeps a stock of 1,600 tonnes of synthetic fibre at its plants in Nilphamari, so that it can work on orders as soon as they are received. “Bangladesh does not have a good dyeing plant, so we have to import the raw material we need. That means shipment time of 15-17 days from China, 7-10 days in customs and then transport to the plant,” he said. In January 2018, the firm started production at its GT Hand Tie Facility,

dedicated to hand-tied products. The factories in Bangladesh have become the most important production base for Evergreen, accounting for 90 per cent of revenue. A civilian airport has opened in Nilphamari; there are seven-eight flights a day to Dhaka.

In 2017, Evergreen listed on the main board of the Hong Kong Stock Exchange, stock code 01962.HK. In August 2018, it reported revenue of HK\$373.3 million for the first six months of the year, up 22.1 per cent over the same period of 2017. “Low labour

costs at the Bangladesh factory contributed positively to the overall improvement of its gross profits," the company said. "Our production facilities there achieved greater economies of scale, serving as the main revenue source of the Group." The U.S. accounted for 82.7 per cent of total revenue during the period.

The company gives back to the community in Nilphilmari. It holds distributions of rice to people over 60, costing about HK\$1 million, and gives HK\$200,000 to a school for handicapped children every year. Chang has also opened a training centre for domestic maids to prepare them for work in Hong Kong; the young women learn Cantonese, Chinese cuisine and how to live and work in the homes of Hong Kong families.

How can the Bangladesh government improve the investment climate? "It should not raise minimum wages too much.

It should build more roads and bridges, as it is doing. A deep-water port would be welcome – they are building one. Power supply needs improvement and I think the government is building more power plants. I bought generators for contingency needs because of the unstable electricity supply. Although wig manufacturing does not require a great deal of electricity and steady electricity, this issue is particularly fatal to eyeglass production, as it involves precise cutting process and machines vulnerable to electricity suspension.

"I suggest HK manufacturers should first join industrial parks (BEPZA, Bangladesh Export Processing Zones Authority) when investing overseas because everything is unfamiliar to newcomers. One could consider expanding the business outside industrial parks when a reliable team is secured."