



EVER SMART INTERNATIONAL HOLDINGS LIMITED

永駿國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8187

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016**

**CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE
STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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*This announcement, for which the directors (the “**Directors**”) of Ever Smart International Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

RESULTS

The board (the “**Board**”) of directors (“**Directors**”) of Ever Smart International Holdings Limited (the “**Company**”) presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the “**Group**”) for the six months and three months ended 30 June 2016, together with the comparative unaudited figures of the corresponding period in 2015. The interim results of the Group have been reviewed by Messrs. Deloitte Touche Tohmatsu, the auditor (the “**Auditor**”) of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), and reviewed by the audit committee (the “**Audit Committee**”) of the Company, comprising three independent non-executive Directors.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

| | | (Unaudited) Three months ended 30 June | | (Unaudited) Six months ended 30 June | |
|--|-------|--|------------------|--|------------------|
| | Notes | 2016 HK\$'000 | 2015 HK\$'000 | 2016 HK\$'000 | 2015 HK\$'000 |
| Revenue | 4 | 54,136 | 84,839 | 111,633 | 129,881 |
| Cost of sales | | <u>(49,408)</u> | <u>(74,245)</u> | <u>(99,815)</u> | <u>(113,855)</u> |
| Gross profit | | 4,728 | 10,594 | 11,818 | 16,026 |
| Other income | | 1,655 | 700 | 2,449 | 829 |
| Other expenses | | (544) | (921) | (686) | (1,078) |
| Other gains and losses | | 21 | 177 | 38 | 182 |
| Selling and distribution expenses | | (2,530) | (2,067) | (4,276) | (3,118) |
| Administrative expenses | | (4,255) | (3,755) | (7,652) | (7,906) |
| Listing expenses | | (7,353) | (1,529) | (9,759) | (4,253) |
| Finance costs | | <u>(195)</u> | <u>(349)</u> | <u>(428)</u> | <u>(677)</u> |
| (Loss) profit before taxation | | (8,473) | 2,850 | (8,496) | 5 |
| Income tax expense | 5 | <u>(40)</u> | <u>(634)</u> | <u>(521)</u> | <u>(735)</u> |
| (Loss) profit for the period | 6 | (8,513) | 2,216 | (9,017) | (730) |
| Other comprehensive income (expense): | | | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | | | |
| Exchange differences arising on translation of foreign operations | | <u>155</u> | <u>5</u> | <u>144</u> | <u>(3)</u> |
| Total comprehensive (expense) income for the period | | <u>(8,358)</u> | <u>2,221</u> | <u>(8,873)</u> | <u>(733)</u> |
| (Loss) earnings per share | | | | | |
| – Basic (HK cents) | 8 | <u>(2.12)</u> | <u>0.62</u> | <u>(2.37)</u> | <u>(0.20)</u> |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| | | (Unaudited) 30 June 2016 HK\$'000 | (Audited) 31 December 2015 HK\$'000 |
|---|-------|--|--|
| | Notes | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 2,251 | 2,747 |
| Rental deposits | | 298 | 306 |
| | | 2,549 | 3,053 |
| CURRENT ASSETS | | | |
| Trade and bills receivables | 9 | 22,319 | 55,807 |
| Other receivables, prepayments and deposits | | 2,482 | 2,288 |
| Amount due from a director | 10 | – | 21,266 |
| Pledged bank deposits | | 2,136 | 2,134 |
| Bank balances and cash | | 80,935 | 5,510 |
| | | 107,872 | 87,005 |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 11 | 31,447 | 45,576 |
| Amount due to a director | 10 | – | 109 |
| Tax payable | | 764 | 370 |
| Bank borrowings – due within one year | 12 | 19,451 | 27,750 |
| | | 51,662 | 73,805 |
| NET CURRENT ASSETS | | 56,210 | 13,200 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 58,759 | 16,253 |
| NON-CURRENT LIABILITIES | | | |
| Bank borrowings – due after one year | 12 | 308 | 461 |
| Deferred tax liability | | 6 | 26 |
| | | 314 | 487 |
| NET ASSETS | | 58,445 | 15,766 |
| CAPITAL AND RESERVES | | | |
| Share capital | 13 | 4,800 | – |
| Reserves | | 53,645 | 15,766 |
| EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | | 58,445 | 15,766 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2016

| | Attributable to owners of the Company | | | | | | |
|---|---------------------------------------|------------------------------|------------------------------------|--------------------------------|--|---------------------------------|-----------------------------|
| | Share capital HK\$'000 | Share premium HK\$'000 | Translation reserve HK\$'000 | Capital reserve HK\$'000 | Property revaluation reserve HK\$'000 | Retained profits HK\$'000 | Total equity HK\$'000 |
| At 1 January 2015 (Audited) | 10 | – | 8 | (77) | 847 | 8,349 | 9,137 |
| Exchange differences arising on the translation of foreign operations | – | – | (3) | – | – | – | (3) |
| Loss for the period | – | – | – | – | – | (730) | (730) |
| Total comprehensive expense for the period | – | – | (3) | – | – | (730) | (733) |
| Reorganisation | (10) | – | – | 10 | – | – | – |
| Transfer upon disposal of investment properties | – | – | – | – | (847) | 847 | – |
| At 30 June 2015 (Unaudited) | <u>–</u> | <u>–</u> | <u>5</u> | <u>(67)</u> | <u>–</u> | <u>8,466</u> | <u>8,404</u> |
| At 1 January 2016 (Audited) | – | – | 201 | (67) | – | 15,632 | 15,766 |
| Exchange differences arising on the translation of foreign operations | – | – | 144 | – | – | – | 144 |
| Loss for the period | – | – | – | – | – | (9,017) | (9,017) |
| Total comprehensive income (expense) for the period | – | – | 144 | – | – | (9,017) | (8,873) |
| Issue of new shares | 1,200 | 58,800 | – | – | – | – | 60,000 |
| Issue of shares by capitalisation of share premium account | 3,600 | (3,600) | – | – | – | – | – |
| Transaction costs attributable to issue of new shares | – | (8,448) | – | – | – | – | (8,448) |
| At 30 June 2016 (Unaudited) | <u>4,800</u> | <u>46,752</u> | <u>345</u> | <u>(67)</u> | <u>–</u> | <u>6,615</u> | <u>58,445</u> |

Note: Capital reserve represents i) the difference between the carrying amount of the non-controlling interests and the fair value of the consideration paid for the acquisition of additional 60% non-controlling interest in a subsidiary, Alliance International Sourcing Limited (“**Alliance**”) and ii) an amount of HK\$10,000 representing the sum of the share capital of certain group entities including Ever Smart International Enterprise Limited (“**Ever Smart**”), Dodge & Swerve Limited (“**D&S**”) and Alliance which have been transferred to capital reserve as part of the Reorganisation set out in note 1.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

| | (Unaudited) | |
|---|----------------------|-----------------|
| | Six months | |
| | ended 30 June | |
| | 2016 | 2015 |
| | HK\$'000 | HK\$'000 |
| NET CASH (USED IN) FROM OPERATING ACTIVITIES | (13,811) | 16,815 |
| INVESTING ACTIVITIES | | |
| Placement of pledged bank deposits | (12,002) | (7,002) |
| Advance to a director | (240) | (3,523) |
| Purchase of property, plant and equipment | – | (978) |
| Repayment from a director | 21,506 | 795 |
| Withdrawal of pledged bank deposits | 12,000 | 6,000 |
| Proceeds from disposal of investment properties | – | 6,200 |
| Others | 2 | 4 |
| NET CASH FROM INVESTING ACTIVITIES | 21,266 | 1,496 |
| FINANCING ACTIVITIES | | |
| Proceeds from issue of shares | 60,000 | – |
| New bank loans raised | 59,445 | 34,557 |
| Advance from a director | 34 | 109 |
| Repayment of bank loans | (42,550) | (43,167) |
| Transaction costs on issue of shares | (8,448) | – |
| Repayment to a director | (143) | – |
| Others | (428) | (677) |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | 67,910 | (9,178) |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 75,365 | 9,133 |
| CASH AND CASH EQUIVALENTS | | |
| AT BEGINNING OF THE PERIOD | 5,510 | 2,866 |
| EFFECT OF FOREIGN EXCHANGE RATE CHANGES | 60 | (55) |
| CASH AND CASH EQUIVALENTS AT END OF | | |
| THE PERIOD, REPRESENTED BY BANK BALANCES | | |
| AND CASH | 80,935 | (11,944) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2016

1. GENERAL AND GROUP REORGANISATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 February 2015. The shares of the Company were listed on the Growth Enterprise Market (“**GEM**”) of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 30 May 2016. Its parent and ultimate holding company is Asia Matrix Investments Limited (“**Asia Matrix**”), a company incorporated in the British Virgin Islands. The ultimate controlling shareholder of the Group is Mr. Ho Kin Wai (“**Controlling Shareholder**”).

The registered office of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and principal place of business of the Company is Unit 03, 15/F, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong. The Company is an investment holding company. The principal activities of its subsidiaries are engaged in the design, development, sourcing, marketing and sale of footwear.

In preparing for the initial listing of the shares of the Company on the GEM of the Stock Exchange, the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) underwent the reorganisation (the “**Reorganisaiton**”) to rationalise the group structure. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group by acquiring the entire equity interest in United Acme Limited (“**United Acme**”) on 20 August 2015 at nominal consideration. The Group comprising the Company and its subsidiaries resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the interim financial report has been prepared as if the Company had always been the holding company of the Group.

The companies now comprising the Group underwent a series of reorganisation. Before the completion of the Reorganisation, group entities including Alliance, D&S, Ever Smart and its wholly owned subsidiaries, Ever Sky (HK) Trading Limited and 東莞天達鞋業貿易有限公司, were controlled and owned by Ever Sound International Limited (“**Ever Sound**”), a company wholly-owned by Mr. Ho Kin Wai, the Controlling Shareholder, which does not form part of the Group. On 9 January 2015, United Acme and Asia Matrix were incorporated by the Controlling Shareholder and on 5 February 2015, United Acme entered into share transfer agreements with Ever Sound to acquire the entire issued share capital of Alliance, D&S and Ever Smart. On 6 February 2015, the Company was incorporated by the Controlling Shareholder and Asia Matrix became the holding company of the Company on 20 August 2015 through a share transfer agreement.

The condensed consolidated statements of profit or loss and other comprehensive income for the three-month period ended 30 June 2015 and the six-month period ended 30 June 2015, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period ended 30 June 2015 which include the results, changes in equity and cash flows of the companies comprising the Group have been prepared as if the Company had always been the holding company of the Group and the current group structure had been in existence throughout the relevant periods ended 30 June 2015, or since their respective dates of incorporation/establishment, where it is a shorter period.

The condensed consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), which is different from the functional currency of the Company, being United States dollars (“**US\$**”). The management of the Group considers that presenting the condensed consolidated financial statements in HK\$ is preferable as the Company listed its shares on the Stock Exchange and most of its potential investors are located in Hong Kong.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”) as well as with the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing Securities on the GEM.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

Except as described below, the accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2016 are the same as those followed in the preparation of the Group’s financial information for the year ended 31 December 2015 included in the Accountants’ Report as Appendix I of the prospectus of the Company dated 20 May 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA for the preparation of the Group’s condensed consolidated financial statements.

| | |
|--|--|
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2012 – 2014 Cycle |
| Amendments to HKFRS 11 | Accounting for Acquisitions of Interests in Joint Operations |
| Amendments to HKAS 1 | Disclosure Initiative |
| Amendments to HKAS 16 and HKAS 38 | Clarification of Acceptable Methods of Depreciation and Amortisation |
| Amendments to HKAS 16 and HKAS 41 | Agriculture: Bearer Plants |
| Amendments to HKAS 27 | Equity Method in Separate Financial Statements |
| Amendments to HKFRS 10, HKFRS 12 and HKAS 28 | Investment Entities: Applying the Consolidation Exception |

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial performance and positions for the current and prior interim periods and/or on the disclosure set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on trading of footwear.

The Group's operating segment is determined based on information reported to the chief operating decision maker of the Group (the executive directors of the Company) for the purpose of resource allocation and performance assessment. For management purpose, the Group operates in one business unit based on their products, and has one operating segment: design, development, sourcing, marketing and sale of footwear. The chief operating decision maker would review the monthly sales reports and monitors the revenue, results, assets and liabilities of its business unit as a whole. The chief operating decision maker considers the segment assets and segment liabilities of the Group included all assets and all liabilities as stated in the condensed consolidated statement of financial position respectively, and considers the segment revenue same as total sales made to external parties as disclosed in condensed consolidated statement of profit or loss and other comprehensive income, and the segment results of the Group represented the Group's (loss) profit before taxation, rental income, other gains and losses and listing expenses, as stated in the condensed consolidated statement of profit or loss and other comprehensive income.

The following is an analysis of the Group's revenue and results by operating and reportable segment:

| | Design, development, sourcing, marketing and sale of footwear <i>HK\$'000</i> |
|--|---|
| Six months ended 30 June 2016 (Unaudited) | |
| Segment revenue – external | <u>111,633</u> |
| Segment profit | 1,225 |
| Other gains and losses | 38 |
| Listing expenses | <u>(9,759)</u> |
| Loss before taxation | <u>(8,496)</u> |
| Six months ended 30 June 2015 (Unaudited) | |
| Segment revenue – external | <u>129,881</u> |
| Segment profit | 3,980 |
| Unallocated income | 96 |
| Other gains and losses | 182 |
| Listing expenses | <u>(4,253)</u> |
| Profit before taxation | <u>5</u> |

5. INCOME TAX EXPENSE

| | (Unaudited) Three months ended 30 June | | (Unaudited) Six months ended 30 June | |
|---|--|-----------------|--|-----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong Profits Tax (credit) charge (note i) | (27) | 843 | 321 | 973 |
| People's Republic of China ("PRC") Enterprise Income Tax ("EIT") charge (note ii) | 78 | 95 | 219 | 95 |
| Deferred tax credit | (11) | (304) | (19) | (333) |
| | <u>40</u> | <u>634</u> | <u>521</u> | <u>735</u> |

Notes:

(i) Hong Kong

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods.

(ii) PRC

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for the subsidiary established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC.

6. (LOSS) PROFIT FOR THE PERIOD

(Loss) profit for the period has been arrived at after charging (crediting):

| | (Unaudited) Three months ended 30 June | | (Unaudited) Six months ended 30 June | |
|---|---|-----------------|---|-----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | HK\$'000 | HK\$'000 | HK\$'000 | HK\$'000 |
| Directors' remuneration | 826 | 1,076 | 1,600 | 1,885 |
| Other staff costs (excluding directors' remuneration) | | | | |
| – Salaries, bonuses and other benefits | 3,109 | 2,673 | 6,008 | 5,409 |
| – Retirement benefit scheme contributions | 323 | 363 | 689 | 639 |
| Total staff costs | 4,258 | 4,112 | 8,297 | 7,933 |
| Depreciation of property, plant and equipment | 238 | 212 | 478 | 415 |
| Cost of inventories recognised as an expense | 49,408 | 74,245 | 99,815 | 113,855 |
| Operating lease minimum rental expense in respect of rental premises | 322 | 401 | 642 | 676 |
| Loss on disposal of property, plant and equipment | – | 227 | – | 227 |
| Gross minimum rental income from investment properties | – | (30) | – | (96) |
| Less: direct operating expenses incurred for investment properties that generated rental income | – | – | – | 14 |
| | – | (30) | – | (82) |
| Interest income | (1) | (2) | (3) | (4) |
| Change in fair value of investment properties | – | (400) | – | (400) |

7. DIVIDEND

No dividends were paid, declared or proposed during the current and prior interim periods. The directors of the Company do not recommend payment of interim dividend for the current interim period.

8. (LOSS) EARNINGS PER SHARE

| | (Unaudited) Three months ended 30 June | | (Unaudited) Six months ended 30 June | |
|---|--|-----------------|--|-----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Loss) earnings: | | | | |
| (Loss) earnings for the purpose of calculating basic (loss) earnings per share ((loss) profit for the period attributable to the owners of the Company) | <u>(8,513)</u> | <u>2,216</u> | <u>(9,017)</u> | <u>(730)</u> |
| | (Unaudited) Three months ended 30 June | | (Unaudited) Six months ended 30 June | |
| | 2016 | 2015 | 2016 | 2015 |
| | '000 | '000 | '000 | '000 |
| Number of shares: | | | | |
| Weighted average number of ordinary shares for the purpose of calculating basic (loss) earnings per share | <u>402,198</u> | <u>360,000</u> | <u>381,099</u> | <u>360,000</u> |

The number of ordinary shares for the purpose of calculating basic (loss) earnings per share for the three-month and six-month ended 30 June 2015 is determined on the assumption that the Reorganisation and the capitalisation issue of 359,999,000 shares had been effective on 1 January 2015.

No diluted (loss) earning per share is been presented for periods ended 30 June 2016 and 2015 as there is no potential ordinary share in issue during both periods.

9. TRADE AND BILLS RECEIVABLES

| | (Unaudited) 30 June 2016 <i>HK\$'000</i> | (Audited) 31 December 2015 <i>HK\$'000</i> |
|--|---|---|
| Trade and bills receivables | 19,966 | 47,086 |
| Trade receivables discounted with recourse | <u>2,353</u> | <u>8,721</u> |
| | <u>22,319</u> | <u>55,807</u> |

The Group allows credit period ranging from 7 days to 90 days to customers. The following is an ageing analysis of trade and bills receivables, presented based on the invoice dates which approximate the revenue recognition dates:

| | (Unaudited) 30 June 2016 <i>HK\$'000</i> | (Audited) 31 December 2015 <i>HK\$'000</i> |
|--------------|---|---|
| 0–30 days | 16,681 | 29,014 |
| 31–60 days | 5,084 | 23,661 |
| 61–90 days | 276 | 2,624 |
| Over 90 days | <u>278</u> | <u>508</u> |
| | <u>22,319</u> | <u>55,807</u> |

10. AMOUNT DUE FROM (TO) A DIRECTOR

The amount due from (to) a director was non-trade in nature, unsecured, non-interest bearing, repayable on demand and was fully settled during the current interim period.

11. TRADE AND OTHER PAYABLES

| | (Unaudited) 30 June 2016 <i>HK\$'000</i> | (Audited) 31 December 2015 <i>HK\$'000</i> |
|-----------------------------------|---|---|
| Trade payables | 21,023 | 39,446 |
| Receipt in advance from customers | 1,074 | 313 |
| Accrued staff salaries | 2,583 | 4,030 |
| Accrued expenses | 5,689 | 847 |
| Other tax payables | 83 | 66 |
| Others | 995 | 874 |
| | <u>31,447</u> | <u>45,576</u> |

The credit period on purchase of goods varies from 20 days to 45 days. The following is an ageing analysis of the trade payables, presented based on the invoice dates:

| | (Unaudited) 30 June 2016 <i>HK\$'000</i> | (Audited) 31 December 2015 <i>HK\$'000</i> |
|---------------|---|---|
| 0 to 30 days | 16,802 | 25,368 |
| 31 to 60 days | 3,237 | 11,130 |
| 61 to 90 days | 643 | 2,868 |
| Over 90 days | 341 | 80 |
| | <u>21,023</u> | <u>39,446</u> |

12. BANK BORROWINGS

| | (Unaudited) 30 June 2016 HK\$'000 | (Audited) 31 December 2015 HK\$'000 |
|--------------------------|--|--|
| Secured bank borrowings: | | |
| – Variable rate | 12,685 | 20,077 |
| – Fixed rate | 7,074 | 8,134 |
| | <u>19,759</u> | <u>28,211</u> |

During the six-month period ended 30 June 2016, the Group raised new bank borrowings amounting to HK\$59,445,000 (31 December 2015: HK\$90,755,000) and settled bank borrowings amounting to HK\$67,897,000 (31 December 2015: 90,145,000), of which HK\$25,347,000 (31 December 2015: HK\$9,267,000) was settled with the bank upon settlement of the discounted trade receivables from the Group's debtor.

The fixed rate bank borrowings as at 30 June 2016 carry interests ranging from 3.5% to 5.5% (31 December 2015: 2.5% to 5.5%) per annum. The variable rate bank borrowings as at 30 June 2016 and 31 December 2015 carry interests at a premium over Hong Kong Interbank Offered Rate. The ranges of effective interest rates on bank borrowings are 2.62% to 2.99% (31 December 2015: 2.25% to 3.04%) per annum.

13. SHARE CAPITAL

| | Number of shares | Share capital HK'000 |
|---|----------------------|-------------------------|
| Authorised: | | |
| At 6 February 2015 (date of incorporation) | | |
| and 31 December 2015 of HK\$0.01 each (<i>Note a</i>) | 38,000,000 | 380 |
| Increase on 11 May 2016 (<i>Note b</i>) | 962,000,000 | 9,620 |
| | <u>1,000,000,000</u> | <u>10,000</u> |
| At 30 June 2016 | | |
| Issued and fully paid: | | |
| At 6 February 2015 (date of incorporation) of | | |
| HK\$0.01 each (<i>Note a</i>) | 1 | – |
| Reorganisation (<i>Note a</i>) | 999 | – |
| | <u>1,000</u> | <u>–</u> |
| At 31 December 2015 of HK\$0.01 each | 479,999,000 | 4,800 |
| Issue of new shares (<i>Note c</i>) | | |
| | <u>480,000,000</u> | <u>4,800</u> |
| At 30 June 2016 of HK\$0.01 each | | |

Notes:

- (a) On the date of incorporation, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and one share of the Company of HK\$0.01 each was allotted and issued to the subscriber, which was then transferred to the Controlling Shareholder, Mr. Ho Kin Wai. On 20 August 2015, Mr. Ho Kin Wai transferred his one fully paid subscriber share in the Company to Asia Matrix, and the Company issued and allotted 999 shares of HK\$0.01 each credited as fully paid to Asia Matrix.
- (b) Pursuant to the resolutions passed by the shareholders of the Company on 11 May 2016, the authorised share capital of the Company was increased from HK\$380,000 to HK\$10,000,000 by the creation of additional of 962,000,000 shares of HK\$0.01 each.
- (c) On 30 May 2016, the Company issued a total of 120,000,000 shares of HK\$0.01 each at HK\$0.50 each for cash by way of placing.

On 30 May 2016, the Company also allotted and issued a total of 359,999,000 shares of HK\$0.01 each credited as fully paid at par to the then shareholders by the capitalisation of approximately HK\$3,600,000 in the share premium account of the Company.

All the shares issued during the period from 6 February 2015 (date of incorporation) to 31 December 2015 and the six-month period ended 30 June 2016 ranked pari passu in all respects with the then existing shares in issue.

14. RELATED PARTY DISCLOSURES

(a) Related party balances

Details of the outstanding balances with related parties are set out in the condensed consolidated statement of financial position and in note 10.

(b) Related party transactions

During the periods ended 30 June 2016 and 2015, the Group entered into the following transactions with related parties:

| Name of related party | Nature of transactions | (Unaudited) Three months ended 30 June | | (Unaudited) Six months ended 30 June | |
|--------------------------|---------------------------|--|-----------------|--|-----------------|
| | | 2016 | 2015 | 2016 | 2015 |
| | | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Mr. Ho Kin Wai | Commission | <u>—</u> | <u>706</u> | <u>—</u> | <u>1,157</u> |

Compensation of the directors and key management personnel

The remuneration of directors and other members of key management during the period was as follows:

| | (Unaudited) Three months ended 30 June | | (Unaudited) Six months ended 30 June | |
|---|--|-----------------|--|-----------------|
| | 2016 | 2015 | 2016 | 2015 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Salaries and other allowances | 1,328 | 854 | 2,627 | 1,693 |
| Incentive performance bonus | 110 | 706 | 110 | 1,157 |
| Retirement benefit scheme contributions | 23 | 18 | 45 | 36 |
| | <u>1,461</u> | <u>1,578</u> | <u>2,782</u> | <u>2,886</u> |

The remuneration of directors and key management personnel are determined having regard to the performance of individuals.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's revenue decreased by approximately 14.0% from approximately HK\$129.9 million for the six months ended 30 June 2015 to approximately HK\$111.6 million for the six months ended 30 June 2016, primarily attributable to (i) shipments of certain footwear which were originally scheduled for June 2016 were unexpectedly delayed and subsequently delivered to the customers in July 2016; and (ii) delay in placing anticipated orders by some of the Group's customers mainly due to adjustment in delivery schedules based on their existing production plans for 2016. During the six months ended 30 June 2016, the Group's gross profit decreased by approximately 26.3% from approximately HK\$16.0 million for the six months ended 30 June 2015 to approximately HK\$11.8 million for the six months ended 30 June 2016. The Group's cost of sales comprise purchase cost and other costs including mainly staff costs, sample and molding fees, and other overhead. The purchase cost to sales ratio remained steady at approximately 85% for the six months ended 30 June 2015 and the six months ended 30 June 2016, respectively. During the six months ended 30 June 2016, sample and molding fees increased significantly by approximately HK\$1.2 million as compared to the corresponding period in 2015 which was mainly attributable to the large number of samples for the Group's new category of women's formal footwear and new brands requested by the Group's customers for potential orders. As a result mainly of the foregoing, the Group's gross profit margin decreased from approximately 12.3% for the six months ended 30 June 2015 to approximately 10.6% for the six months ended 30 June 2016. Other income for the period under review increased to approximately HK\$2.4 million for the six months ended 30 June 2016 from approximately HK\$0.8 million for the corresponding period in 2015, primarily attributable to increase in sample income of approximately HK\$1.8 million. The increase in other income for the period was offset by the increase in selling and distribution expenses of approximately HK\$1.2 million from approximately HK\$3.1 million for the six months ended 30 June 2015 to approximately HK\$4.3 million for the six months ended 30 June 2016 which was mainly due to the aggregate increase in entertainment and travelling expenses of approximately HK\$1.3 million as compared with the corresponding period in 2015 as the Group increased its efforts in approaching potential customers for business opportunities through business referrals by existing customers and business network. The Group recorded non-recurring listing expenses of approximately HK\$9.8 million (2015: approximately HK\$4.3 million) for the six months ended 30 June 2016. As a result of the foregoing, the Group recorded a net loss for the six months ended 30 June 2016 of approximately HK\$9.0 million, as compared to a net loss of approximately HK\$730,000 for the corresponding period in 2015.

Business Review and Outlook

The Group is principally engaged in the provision of footwear design and development, production management (including quality control) and logistics management service. The Group offers formal and casual footwear for men, women and children to its customers. Over the years of its operations since 2009, the Group has built a diverse global customer portfolio comprising mainly international wholesalers and retailers which are brand owners and/or licensees of formal and casual footwear. During the six months ended 30 June 2016, almost all of the Group's footwear was exported overseas with shipment destinations covering about 30 countries including Australia, United Kingdom, Chile, New Zealand, United Arab Emirates and United States.

The successful listing of the Company's shares on the GEM (the "**Listing**") on 30 May 2016 by the way of Placing (the "**Placing**") was a milestone for the Group in improving capital strength and corporate governance as well as enhancing its competitive edge.

Looking forward, the Group will continue to implement the business strategies as set out in the Company's prospectus dated 20 May 2016 (the "**Prospectus**") in support of the Group's business objectives of maintaining its growth in the footwear design and development, production management and logistics management service industry and enhancing its overall competitiveness and market share.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 30 June 2016, total borrowings of the Group amounted to approximately HK\$19.8 million (31 December 2015: approximately HK\$28.2 million) which represented the trust receipt loans for trade finance purpose, prepayments obtained from a bank in Hong Kong for the sale of trade and bills receivables, tax loan and hire purchase loan. As at 30 June 2016, the cash and cash equivalents of the Group amounted to approximately HK\$80.9 million (31 December 2015: approximately HK\$5.5 million). As at 30 June 2016, debt to equity ratio of the Group was nil (31 December 2015: 130.5%). Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank borrowings and bank overdrafts net of pledged bank deposit and bank balances and cash, by total equity at the end of respective reporting period. As at 30 June 2016, the Group's net current assets amounted to approximately HK\$56.2 million (31 December 2015: approximately HK\$13.2 million). Current ratio as at 30 June 2016 was approximately 2.09 times (31 December 2015: approximately 1.18 times).

Capital structure

As at 30 June 2016, the share capital and equity attributable to owners of the Company amounted to HK\$4.8 million and approximately HK\$58.4 million, respectively (31 December 2015: HK\$10 and approximately HK\$15.8 million, respectively).

Pledge of assets

As at 30 June 2016, certain bank deposits and motor vehicle of the Group were pledged to secure the Group's bank borrowings.

Exchange Rate Exposure

The Group's revenue is denominated in US\$ due to the export-oriented nature of the Group's business and the Group's expenses, comprising primarily its payment to its footwear suppliers, are also mainly in US\$, which is the functional currency of the Group. As HK\$ is pegged to US\$, the Group does not expect any significant fluctuation in the exchange rate of HK\$ against US\$. The Group's management considers that the Group has no significant foreign exposures. Foreign exchange risk arising from the normal course of operations is considered to be minimal. As at 30 June 2016, the Group did not use any financial instrument for hedging the foreign exchange risk.

Contingent Liabilities

As at 30 June 2016, the Group had no material contingent liabilities (31 December 2015: nil).

Significant Investments held, Material Acquisition or Disposal of Subsidiaries and Affiliated Companies

There were no significant investments held, material acquisitions or disposals of subsidiaries and affiliated companies during the six months ended 30 June 2016.

Capital Commitment

As at 30 June 2016, the Group had no material capital commitment (31 December 2015: nil).

EMPLOYEE AND EMOLUMENT POLICIES

The Group had 66 employees (including Directors) as at 30 June 2016 (31 December 2015: 67 employees) full time staff in mainland China and Hong Kong. The Group places emphasis on work experience in the footwear industry in hiring its designers, merchandising staff and quality control staff. In order to recruit, develop and retain talented employees, the Group offers competitive remuneration packages to our staff, including internal promotion opportunities and performance-based bonus. The Group enters into standard employment contracts with our staff which contain provisions on intellectual property rights and confidentiality. The remuneration committee of the Company will make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group.

BUSINESS PLAN

The Group intends to carry out the implementation plan as set out in the Prospectus. Up to 30 June 2016, the Group has not utilized any proceeds from the Placing. All the unutilized balances have been placed in a licensed bank in Hong Kong.

The net proceeds from the Listing of the shares of the Company by Placing on the GEM were approximately HK\$44.0 million which was based on the actual expenses related to the Listing, as compared to the estimated net proceeds of approximately HK\$45.0 million as disclosed in the Prospectus. Accordingly, the Group has adjusted the intended use of proceeds on a pro-rata basis as follows:

| | <i>HK\$' million</i> |
|--|----------------------|
| Broadening customer base and product offerings | 9.8 |
| Enhancing design, development and production management capabilities | 5.8 |
| Obtaining licences of multiple brands | 15.7 |
| Enhancing corporate image | 4.4 |
| Improving information technology system | 4.1 |
| General working capital and other general corporate uses of Group | 4.2 |
| | <hr/> |
| Total | 44.0 |
| | <hr/> <hr/> |

The Directors will constantly evaluate the Group's business objectives and will change or modify the plans against the changing market condition to suit the business growth of the Group.

Corporate Governance Code

The Company had complied with all applicable code provisions set out in the Corporate Governance Code (the “**Code**”) contained in Appendix 15 to the GEM Listing Rules, except for the deviation from the Paragraph J (b) of the Code as described below.

The Paragraph J (b) of the Code stipulates that the roles of chairman and chief executive officer should be separate and exercised by different individuals. Mr. Ho Kin Wai (“**Mr. Ho**”) is the founder and chairman of the Group. Mr. Ho has been carrying out the duties of both the chairman and chief executive officer since the establishment of the Group and the Company. The Board intends to maintain this structure in future as it believes that this structure ensures efficient and effective formulation and implementation of business strategies without compromising the balance of power and authority between the Board and management of the Company.

Interest of the Compliance Adviser

As confirmed by the Company's compliance adviser, Kingston Corporate Finance Limited (the “**Compliance Adviser**”), save for the compliance adviser agreement entered into between the Company and the Compliance Adviser dated 15 October 2015, none of the Compliance Adviser or its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

Deed of Non-Competition

A deed of non-competition (the “**Deed of Non-competition**”) dated 11 May 2016 was entered into by Mr. Ho, Mr. Ho Kwok Choi and Asia Matrix Investments Limited (“**Asia Matrix**”), a limited liability company incorporated in the British Virgin Islands in favour of the Company (for the Company and for the benefit of its subsidiaries) regarding non-competition undertakings. The details of the Deed of Non-competition have been included in the Prospectus and the non-competition undertaking has become effective from the date of Listing.

Competing Business

For the six months ended 30 June 2016, none of the Directors, controlling shareholder or the substantial shareholders of the Company or any of their respective close associates (as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such person has or may have with the Group.

Share Option Scheme

The Company had adopted a share option scheme (the “**Share Option Scheme**”) on 11 May 2016. Since the adoption of the Share Option Scheme and up to the date of this announcement, no share options have been granted pursuant to the Share Option Scheme.

DIRECTORS’ INTERESTS IN SECURITIES

As at 30 June 2016, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”)), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares or underlying shares of the Company

| Name of Directors | Capacity | Number of shares or underlying shares held | | Total | Percentage of issued share capital |
|----------------------------|--|---|------------------|-------------|--|
| | | Ordinary shares | Share options | | |
| Mr. Ho (<i>Director</i>) | Interest of controlled corporation (<i>Note</i>) | 360,000,000 ordinary shares | – | 360,000,000 | 75% |

Note:

These 360,000,000 Shares are held by Asia Matrix. Mr. Ho beneficially owns 100% of the issued share capital of Asia Matrix.

Long position in the ordinary shares of associated corporation

| Name of Directors | Name of associated corporation | Capacity/ Nature | No. share(s) held | Percentage of issued share capital |
|----------------------------|--------------------------------------|------------------|----------------------|--|
| | | | | |
| Mr. Ho (<i>Director</i>) | Asia Matrix | Beneficial owner | 1 | 100% |

Save as disclosed above, as at 30 June 2016, none of the Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2016, so far as known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under Section 336 of the SFO:

Long position in shares or underlying shares of the Company

| Name of Shareholder | Capacity | Number of shares or underlying shares held | Percentage of issued share capital |
|---------------------|---|---|--|
| Asia Matrix | Beneficiary owner | 360,000,000 | 75% |
| Mr. Ho | Interest in a controlled corporation (<i>Note</i>) | 360,000,000 | 75% |

Note:

These 360,000,000 Shares are held by Asia Matrix, the entire issued share capital of which is beneficially owned as to 100% by Mr. Ho. Mr. Ho is deemed to be interested in all the Shares held by Asia Matrix under the SFO. Mr. Ho is an executive director of the Company and Asia Matrix.

Save as disclosed above, as at 30 June 2016, the Directors were not aware of any other persons who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the period under review, there was no repurchase, sale or redemption by the Company, or any of its subsidiaries, of any listed securities of the Company.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company also made specific enquiry with all Directors, and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the period under review.

AUDIT COMMITTEE

The Company has established an audit committee on 11 May 2016 with written terms of reference. The primary duties of the Company's audit committee are mainly to make recommendation to the Board on the appointment and removal of external auditors, review of financial statements and material advice in respect of financial reporting; and oversee internal control procedures. As at 30 June 2016, the committee comprised three independent non-executive Directors, namely Mr. Yuen Poi Lam William, Mr. Lu Tak Ming and Mr. Lee Tat Yin Rick.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2016 have been reviewed by the audit committee and the Company's auditor, Messrs. Deloitte Touche Tohmatsu, which were of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures have been made.

REMUNERATION COMMITTEE

The remuneration committee of the Company was established on 11 May 2016 with primary duties of (i) making recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; and (ii) reviewing the performance-based remuneration and ensuring none of the Directors determine their own remuneration. The remuneration committee of the Company is chaired by Mr. Lee Tat Yin Rick. Other members include Mr. Ho Kin Wai and Mr. Yuen Poi Lam William. The majority of the members of the remuneration committee are independent non-executive directors.

NOMINATION COMMITTEE

The nomination committee of the Company was established on 11 May 2016. The primary duties of the nomination committee are to review the structure, size and composition of the Board on regular basis, identify individual suitably qualified to become Board members; assess the independence of independent non-executive Directors; and make recommendation to the Board on the appointment or re-appointment of Directors. The nomination committee of the Company is chaired by Mr. Ho Kin Wai. Other members include Mr. Lu Tak Ming and Mr. Lee Tat Yin Rick. The majority of the members of the nomination committee are independent non-executive directors.

By order of the Board
Ever Smart International Holdings Limited
Ho Kin Wai
Chairman

Hong Kong, 8 August 2016

As at the date of this announcement, the executive Directors are Mr. Ho Kin Wai and Mr. Ho Kin Pong, and the independent non-executive Directors are Mr. Yuen Poi Lam William, Mr. Lu Tak Ming and Mr. Lee Tat Yin Rick.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at <http://www.hkgem.com> for at least 7 days from the date of its posting and on the Company's website at esmart.hk.