
THIS COMPOSITE DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Offer, this Composite Document and/or the accompanying Form of Acceptance or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.


If you have sold or transferred all your shares in Ever Smart International Holdings Limited, you should at once hand this Composite Document together with the accompanying Form of Acceptance to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the provisions of which form part of the terms of the Offer contained herein.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this Composite Document and the accompanying Form of Acceptance, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Composite Document and the accompanying Form of Acceptance.

Jimu Group Holdings Limited
(Incorporated in the BVI with limited liability)


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

COMPOSITE DOCUMENT RELATING TO MANDATORY UNCONDITIONAL CASH OFFER BY

 **KINGSTON SECURITIES**
FOR AND ON BEHALF OF
JIMU GROUP HOLDINGS LIMITED
FOR ALL THE ISSUED SHARES IN
EVER SMART INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED
BY JIMU GROUP HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)

Joint financial advisers to the Offeror

 **KINGSTON CORPORATE FINANCE** **VEDA | CAPITAL**
智略資本

Independent Financial Adviser to the Independent Board Committee


Shenwan Hongyuan Capital (H.K.) Limited
申萬宏源融資(香港)有限公司

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed “Definitions” in this Composite Document.

A letter from Kingston Securities containing, among other things, details of the terms of the Offer is set out on pages 6 to 17 of this Composite Document. A letter from the Board is set out on pages 18 to 23 of this Composite Document. A letter from the Independent Board Committee containing its advice on the Offer to the Independent Shareholders is set out on pages 24 to 25 of this Composite Document. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee, is set out on pages 26 to 39 of this Composite Document.

The procedures for acceptance and settlement of the Offer and other related information are set out on pages I-1 to I-9 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptances of the Offer should be received by the Registrar not later than 4:00 p.m. on Friday, 8 December 2017 or such later time and/or the date as the Offeror may decide and announce in accordance with the requirements under the Takeovers Code.

Persons (including, without limitation, custodians, nominees and trustees) who would, or otherwise intend to, forward this Composite Document and/or the accompanying Form of Acceptance to any jurisdiction outside Hong Kong should read the details in this regard which are contained in the paragraph headed “8. Overseas Shareholders” of Appendix I to this Composite Document before taking any actions. It is the responsibility of each Overseas Shareholder wishing to accept the Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities, regulatory and/or legal requirements. Each Overseas Shareholder is advised to seek professional advice on deciding whether or not to accept the Offer.

The Composite Document will appear on the GEM website www.hkgem.com and the Company’s website at <http://esmart.hk> as long as the Offer remains open.

17 November 2017

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the website of the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazetted newspaper. Accordingly, Shareholders and prospective investors should note that they need to have access to the website of the Stock Exchange at www.hkexnews.hk in order to obtain up-to-date information on GEM-listed issuers.

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EXPECTED TIMETABLE

The expected timetable set out below is indicative only and further announcement(s) will be made in the event of any changes when appropriate. Unless otherwise specified, all time and date in this Composite Document refer to Hong Kong time and dates.

Despatch date of this Composite Document and
the accompanying Form of Acceptance and
commencement date of the Offer (*Note 1*) Friday, 17 November 2017

Latest time and date for acceptance of the Offer (*Notes 2 and 4*) by 4:00 p.m. on
Friday, 8 December 2017

Closing date of the Offer (*Notes 2 and 4*) Friday, 8 December 2017

Announcement of the results of the Offer
(or its extension or revision, if any) to be posted on
the Stock Exchange's website (*Note 2*) no later than by 7:00 p.m. on
Friday, 8 December 2017

Latest date for posting of remittances
for the amounts due in respect of valid acceptances
received under the Offer (*Notes 3 and 4*) Tuesday, 19 December 2017

Notes:

1. The Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from Friday, 17 November 2017 until the Closing Date. Acceptance of the Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed "6. Right of Withdrawal" in Appendix I to this Composite Document.
2. In accordance with the Takeovers Code, the Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document was posted. The latest time and date for acceptance of the Offer is 4:00 p.m. on Friday, 8 December 2017. An announcement will be jointly issued by the Company and the Offeror through the website of the Stock Exchange by no later than 7:00 p.m. on Friday, 8 December 2017 stating whether the Offer has been extended, revised or expired. In the event that the Offeror decides to revise or extend the Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Offer is closed to those Independent Shareholders who have not accepted the Offer.
3. Remittances in respect of the acceptance of the Offer (after deducting the seller's ad valorem stamp duty) will be despatched to the accepting Shareholder(s) by ordinary post at their own risk as soon as possible but in any event within 7 Business Days following the date on which the duly completed acceptance of the Offer and the relevant document of title of the Shares in respect of such acceptance are received by the Registrar in accordance with the Takeovers Code.

EXPECTED TIMETABLE

4. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning signal:
- (a) at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will remain at 4:00 p.m. on the same Business Day and the latest date for the posting of remittances will remain on the same Business Day; or
 - (b) at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Offer and the latest date for posting of remittances for the amounts due under the Offer in respect of valid acceptances, the latest time for acceptance of the Offer will be rescheduled to 4:00 p.m. on the following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m. and the posting of remittances will be the next following Business Day which does not have either of those warnings in force at any time between 9:00 a.m. and 4:00 p.m..

Save as mentioned above, if the latest time for the acceptance of the Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will jointly notify the Shareholders by way of announcement(s) on any change to the expected timetable as soon as practicable.

DEFINITIONS

In this Composite Document, unless the context otherwise requires, the following expressions have the following meanings:

“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“Asia Matrix” or “Vendor”	Asia Matrix Investments Limited, a company incorporated with limited liability in the BVI, the owner of the Sale Shares and the controlling shareholder of the Company prior to Completion, which is wholly and beneficially owned by Mr. Ho
“associate”	has the same meaning ascribed to it under the GEM Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Closing Date”	Friday, 8 December 2017, being the closing date of the Offer, or if the Offer is extended, any subsequent closing date(s) of the Offer as may be determined and announced jointly by the Offeror and the Company, with the consent of the Executive in accordance with the Takeovers Code
“Company”	Ever Smart International Holdings Limited, a company incorporated in the Cayman Islands with limited liability whose shares are listed on GEM (Stock Code: 8187)
“Completion”	completion of the sale and purchase of the Sale Shares pursuant to the Sale and Purchase Agreement
“Composite Document”	this composite offer and response document dated 17 November 2017 jointly despatched by the Offeror and the Company to all the Independent Shareholders in accordance with the Takeovers Code containing, amongst other things, the detailed terms of the Offer
“connected person(s)”	has the same meaning ascribed to it under the GEM Listing Rules

DEFINITIONS

“Consideration”	the total consideration of HK\$292,794,240 payable by the Offeror to the Vendor pursuant to the Sale and Purchase Agreement
“Covenantor”	Mr. Ho
“Director(s)”	the director(s) of the Company
“Executive”	the Executive Director of the Corporate Finance Division of the SFC, or any delegate of the Executive Director
“Facility”	a loan facility granted by Kingston Securities as lender to the Offeror as borrower for financing the Offer
“Form of Acceptance”	the accompanying form of acceptance to this Composite Document in respect of the Offer
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent committee of the Board comprising all the independent non-executive Directors, namely Mr. Yuen Poi Lam William, Mr. Lu Tak Ming and Mr. Liu Chun Kit, established for the purpose of advising the Independent Shareholders as to whether the terms of the Offer is fair and reasonable and as to the acceptance of the Offer

DEFINITIONS

“Independent Financial Adviser” or “Shenwan Hongyuan”	Shenwan Hongyuan Capital (H.K.) Limited, a corporation licensed to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee in respect of the terms of the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to the acceptance of the Offer
“Independent Shareholder(s)”	the Shareholders other than the Offeror and parties acting in concert with it
“Joint Announcement”	the announcement dated 20 October 2017 jointly issued by the Offeror and the Company in relation to, among others, the Sale and Purchase Agreement and the Offer
“Kingston Corporate Finance”	Kingston Corporate Finance Limited, a corporation licensed by the SFC to carry on business in Type 6 (advising on corporate finance) regulated activity under the SFO
“Kingston Securities”	Kingston Securities Limited, a corporation licensed by the SFC to carry on business in Type 1 (dealing in securities) regulated activity under the SFO
“Last Trading Day”	10 October 2017, being the last full trading day for the Shares prior to the suspension of trading in the Shares pending the release of the Joint Announcement
“Latest Practicable Date”	14 November 2017, being the latest practicable date prior to printing of this Composite Document for ascertaining certain information for inclusion in this Composite Document
“Mr. Ho”	Mr. Ho Kin Wai, an executive Director and the ultimate beneficial owner of Asia Matrix, which was the controlling shareholder of the Company prior to Completion
“Offer”	the mandatory unconditional cash offer made by Kingston Securities for and on behalf of the Offeror, for all the issued Shares not already owned and/or agreed to be acquired by the Offeror and/or parties acting in concert with it in accordance with the Takeovers Code

DEFINITIONS

“Offer Period”	the period commencing on the date of the Rule 3.7 Announcement up to and including the Closing Date, or if the Offer is revised or extended, any subsequent closing date of the Offer as revised or extended and announced by the Offeror in accordance with the Takeovers Code
“Offer Price”	the price of HK\$0.8356 per Offer Share payable by the Offeror to the Independent Shareholders for each Offer Share accepted under the Offer
“Offer Share(s)”	all the Share(s) in issue, other than those Shares already owned by the Offeror and parties acting in concert with it
“Offeror”	Jimu Group Holdings Limited, a company incorporated in the BVI with limited liability
“Overseas Shareholder(s)”	Independent Shareholder(s) whose address(es) as shown on the register of members of the Company is/are outside Hong Kong
“Registrar”	Tricor Investor Services Limited, the Company’s branch share registrar and transfer office in Hong Kong located at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong
“Relevant Period”	the period commencing on the date falling six months preceding 29 September 2017, being the date of commencement of the Offer Period, and ending on the Latest Practicable Date
“PRC”	the People’s Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Rule 3.7 Announcement”	the announcement issued by the Company dated 29 September 2017 in relation to the possible sale of all or part of Asia Matrix’s shareholding interest in the Company

DEFINITIONS

“Sale and Purchase Agreement”	the sale and purchase agreement dated 10 October 2017 entered into between the Vendor, the Covenantor and the Offeror in relation to the sale and purchase of the Sale Shares
“Sale Shares”	a total of 350,400,000 Shares acquired by the Offeror from the Vendor pursuant to the Sale and Purchase Agreement, representing 73.00% of the total issued share capital of the Company immediately prior to Completion
“SFC”	Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of Share(s)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers
“Undertaking”	an irrevocable undertaking dated 11 October 2017 given by Asia Matrix and Mr. Ho that, among others, Asia Matrix will not transfer or tender 9,600,000 Shares held by it for acceptance of the Offer
“Veda Capital”	Veda Capital Limited, a corporation licensed to carry on business in Type 6 (advising on corporate finance) regulated activity under the SFO
“%”	per cent.

LETTER FROM KINGSTON SECURITIES



To the Independent Shareholders

17 November 2017

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
KINGSTON SECURITIES LIMITED
FOR AND ON BEHALF OF
JIMU GROUP HOLDINGS LIMITED
FOR ALL THE ISSUED SHARES IN
EVER SMART INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED
BY JIMU GROUP HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement.

On 10 October 2017 (after trading hours of the Stock Exchange), the Vendor entered into the Sale and Purchase Agreement with the Offeror and the Covenantor, pursuant to which the Offeror agreed to acquire and the Vendor agreed to sell 350,400,000 Shares, representing 73.00% equity interest in the Company as at the date of the Joint Announcement for the Consideration of HK\$292,794,240, equivalent to HK\$0.8356 per Sale Share, which was agreed between the Offeror and the Vendor after arm's length negotiations. Completion took place on 11 October 2017.

Prior to Completion, the Offeror and parties acting in concert with it did not own any Shares, convertible securities, options, warrants or derivatives in the Company.

Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it own 350,400,000 Shares, representing 73.00% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer is unconditional in all respects.

LETTER FROM KINGSTON SECURITIES

This letter sets out, amongst other things, the principal terms of the Offer, together with the information on the Offeror and the Offeror's intentions regarding the Group. Further details of the terms of the Offer and procedures for acceptance are also set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

THE OFFER

Kingston Securities is, for and on behalf of the Offeror, making the Offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) on terms to be set out in this Composite Document in accordance with the Takeovers Code on the following basis:

For each Offer Share HK\$0.8356 in cash

The Offer Price of HK\$0.8356 per Offer Share under the Offer is the same as the purchase price per Sale Share paid by the Offeror under the Sale and Purchase Agreement. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, claims, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached thereto as at the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, paid or made the record date of which falls on or after the date of despatch of this Composite Document.

Comparison of value

The Offer Price of HK\$0.8356 per Offer Share represents:

- (i) a discount of approximately 51.42% to the closing price of HK\$1.72 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a premium of approximately 12.92% over the closing price of HK\$0.74 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (iii) a premium of approximately 23.98% over the average closing price of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of HK\$0.674 per Share;
- (iv) a premium of approximately 38.80% over the average closing price of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.602 per Share;

LETTER FROM KINGSTON SECURITIES

- (v) a premium of approximately 74.81% over the average closing price of the Shares as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day of approximately HK\$0.478 per Share; and
- (vi) a premium of approximately 735.60% over the unaudited consolidated net asset value attributable to owners of the Company of approximately HK\$0.1 per Share (based on the number of issued Shares as at the Latest Practicable Date) as at 30 June 2017, the date to which the latest published unaudited financial results of the Group were made up.

Highest and lowest price of the Shares

During the Relevant Period, the lowest closing price per Share as quoted on the Stock Exchange was HK\$0.26 per Share on 14 July 2017 and 14 August 2017 and the highest closing price per Share as quoted on the Stock Exchange was HK\$1.72 on 14 November 2017.

Conditions of the Offer

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number or any other conditions.

Total value of the Offer

As at the Latest Practicable Date, there were 480,000,000 Shares in issue.

Assuming that there is no change in the issued share capital of the Company prior to the close of the Offer, there would be 480,000,000 Shares in issue. On the basis of the Offer Price at HK\$0.8356 per Share, the entire issued share capital of the Company would be valued at HK\$401,088,000.

Save for 350,400,000 Shares that are already owned by the Offeror and parties acting in concert with it and 9,600,000 Shares held by Asia Matrix which are subject to the Undertaking, a total of 120,000,000 Shares will be subject to the Offer. Based on the Offer Price of HK\$0.8356 per Offer Share and a total of 120,000,000 Offer Shares, the value of the Offer will amount to HK\$100,272,000.

Financial resources available to the Offeror

As at the Latest Practicable Date, there were 480,000,000 Shares in issue. Save for 350,400,000 Shares that are already owned or agreed to be acquired by the Offeror and parties acting in concert with it and 9,600,000 Shares held by Asia Matrix which are subject to the Undertaking, a total of 120,000,000 Shares will be subject to the Offer.

LETTER FROM KINGSTON SECURITIES

Assuming full acceptance of the Offer, the cash consideration payable by the Offeror at the Offer Price of HK\$0.8356 per Share will amount to HK\$100,272,000. The Offeror intends to fund the aggregate value of the Offer by the Facility granted by Kingston Securities for the purpose of financing the Offer.

Kingston Corporate Finance and Veda Capital, being the joint financial advisers to the Offeror in respect of the Offer, are satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer and confirm that there have been no material changes to the availability of financial resources since the date of the Joint Announcement and up until the Latest Practicable Date.

Effect of accepting the Offer

By accepting the Offer, Independent Shareholders will sell their Shares to the Offeror free from all liens, claims, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached thereto as at the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, paid or made the record date of which falls on or after the date of despatch of this Composite Document.

The Offer is unconditional in all respects and will open for acceptance from the date of this Composite Document until 4:00 p.m. on the Closing Date unless the Offeror revises or extends the Offer in accordance with the Takeovers Code. Acceptance of the Offer shall be irrevocable and shall not be capable of being withdrawn, subject to the provisions of the Takeovers Code.

Hong Kong stamp duty

The seller's Hong Kong ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.1% of the amount payable in respect of the relevant acceptance or if higher, the market value of the Shares, will be deducted from the amount payable to such accepting Shareholders who accept the Offer. The Offeror will bear its own portion of buyer's Hong Kong ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptances or if higher, the market value of the Shares, and will be responsible to account to the Stamp Office of Hong Kong for stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Offer.

LETTER FROM KINGSTON SECURITIES

Taxation advice

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of accepting or rejecting the Offer. None of the Offeror, parties acting in concert with the Offeror, the Company, Kingston Securities, Kingston Corporate Finance, Veda Capital, Shenwan Hongyuan and their respective ultimate beneficial owners, directors, officers, advisers, agents or associates or any other person involved in the Offer accepts responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

Overseas Shareholders

The Offer is made in respect of securities of a company incorporated in the Cayman Islands and will be subject to the procedural and disclosure requirements of Hong Kong, which may be different from other jurisdictions. Overseas Shareholders who wish to participate in the Offer will also be subject to, and may be limited by, the laws and regulations of their respective jurisdictions in connection with their participation in the Offer.

Overseas Shareholders whose addresses as shown in the registers of members of the Company are outside Hong Kong and beneficial owners of the Shares who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offer. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection therewith (including the obtaining of any governmental, exchange control or other consent which may be required or the compliance with other necessary formalities or legal and/or regulatory requirements and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance by any Overseas Shareholders will be deemed to constitute a representation and warranty from such Overseas Shareholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

INFORMATION ON THE GROUP

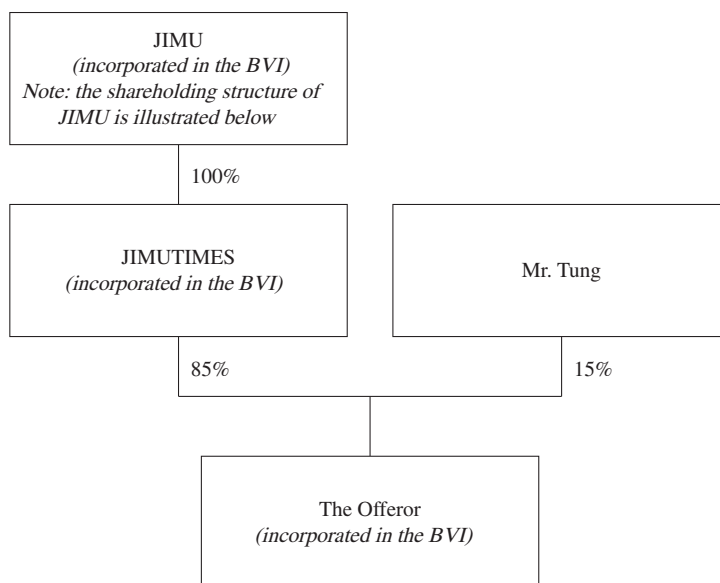
Information on the Group is set out in the section headed “Information on the Group” in the “Letter from the Board” and Appendix III as contained in this Composite Document.

LETTER FROM KINGSTON SECURITIES

INFORMATION ON THE OFFEROR

The Offeror is a company incorporated in the BVI on 4 September 2014 with limited liability. It is principally engaged in investment holding. The Offeror is owned as to 85% by Jimu Times Limited (“**JIMUTIMES**”) and 15% by Mr. Tung Sun Tat, Clement (“**Mr. Tung**”). Mr. Tung, Mr. Xie Qun (“**Mr. Xie**”) and Ms. Long Jingjie (“**Ms. Long**”) are the directors of the Offeror.

JIMUTIMES is a company incorporated in the BVI on 19 January 2016 with limited liability and is principally engaged in investment holding. It is wholly-owned by Pintec Holdings Limited (“**JIMU**”). Mr. Dong Jun, Ms. Guo Jia, Ms. Peng Xiaomei, Mr. Wei Wei, Mr. Barry Freeman, Mr. Hong Feng and Mr. Man Ho Kee Harry are the directors of JIMU. The following diagram and table illustrate the shareholding structure of the Offeror:



LETTER FROM KINGSTON SECURITIES

						Assuming no conversion of the convertible bonds of JIMU and as at the Latest Practicable Date Approximate Shareholding %	Assuming conversion of the convertible bonds of JIMU (Note 1) Approximate Shareholding %
	Shareholders of JIMU	Ultimate beneficial owner(s)	Existing director(s) of the shareholders	General partner(s) (if applicable)	Limited partner(s) (if applicable)		
1	Victory Bridge Capital Partners Limited	Mr. Dong Jun	Mr. Dong Jun	N/A	N/A	14.69	13.77
2	Ventech China II SICAR	N/A	N/A	Ventech China Sarl.	Compagnie Financiere De La Bred (34.95%)	10.95	10.27
3	Spacelink Holdings Limited	Mr. Wei Wei	Mr. Wei Wei	N/A	N/A	9.72	9.12
4	Xiaomi Ventures Limited	Mr. Lei Jun	Mr. Kong Kat Wong	N/A	N/A	9.31	9.85
5	Blue Sky Dynamo Holdings Limited	Ms. Peng Xiaomei	Ms. Peng Xiaomei	N/A	N/A	7.65	7.18
6	Matrix Partners China III Hong Kong Limited	N/A	Mr. Timothy A. Barrows, Mr. David Ying Zhang and Mr. Yibo Shao	Matrix China III GP GP, Ltd.	MIT Investments 2010, L.P. holding 6.7429%; The Wellcome Trust Limited, as Trustee of the Wellcome Trust holding 7.1429%; Horsley Bridge International V.L.P. holding 8.5714%	7.03	7.04
7	Investec Bank plc	Investec PLC	Mr. Fani Titi, Mr. Ian Robert Wohlman, Mr. Stephen Koseff, Mr. Kevin Patrick McKenna, Mr. James Kieran Colum Whelan, Mr. Bernard Kantor, Mrs. Ruth Leas, Ms. Haruko Fukuda, Mr. Peregrine Kenneth Oughton Crosthwaite, Mr. David Friedland, Mrs. Sheikh Mansurah Talat Mannings, Mr. David Michael van de Walt, Mr. Brian David Stevenson and Ms. Zarina Bibi Mahomed Bassa	N/A	N/A	6.38	6.21
8	Penny Sun Investment Holdings Limited	Mr. Li Yu Yang	Mr. Li Yu Yang	N/A	N/A	4.32	4.05
9	Shunwei TMT III Limited	Mr. Koh Tuck Lye	Mr. Koh Tuck Lye and Ms. Leung Yuk Kuen	N/A	N/A	3.58	3.78
10	Moon Wan Sun Investments Company Limited	Ms. Lau Kwai Ching Denise	Ms. Lau Kwai Ching Denise	N/A	N/A	3.47	3.65
11	Bigwave Ventures Limited	Mr. Dong Hao	Mr. Dong Hao	N/A	N/A	3.36	3.15
12	Vertex Asia Fund Pte. Limited	Temasek Holdings (Private) Limited	Mr. Chua Kee Lock and Mr. Pang Seow Lan	N/A	N/A	2.61	2.89
13	CH Financial Holdings Limited	Mr. Freeman JR Richard Barry	Mr. Freeman JR Richard Barry	N/A	N/A	2.59	2.43

LETTER FROM KINGSTON SECURITIES

Shareholders of JIMU	Ultimate beneficial owner(s)	Existing director(s) of the shareholders	General partner(s) (if applicable)	Limited partner(s) (if applicable)	Assuming no conversion of the convertible bonds of JIMU and as at the Latest Practicable Date	Assuming conversion of the convertible bonds of JIMU (Note 1)
					Approximate Shareholding %	Approximate Shareholding %
14 Zhong Capital Fund, L.P.	N/A	N/A	Shine China GP, L.P.	The sole limited partner is Jiangtong Xijin (Shanghai) Equity Investment Fund (Limited Partnership)	2.36	2.22
15 Magic Stone Alternative Private Equity Fund, L.P.	N/A	N/A	Magic Stone Alternative Private Equity Fund, G.P.	Snowville Business Limited (99%)	2.36	3.33
16 Peak Capital Advisory Limited	Mr. Bai Ye Feng	Mr. Bai Ye Feng	N/A	N/A	1.55	1.45
17 Magic Stone Hong Tao Alternative Fund, L.P.	N/A	N/A	Magic Stone Hong Tao Alternative Fund, G.P.	Darga International Limited (96%)	1.24	1.16
18 Shanghai Haitong XuYu Equity Investment Co., Limited (Note 3)	Haitong Securities Co., Ltd.	Mr. Zhang Xiangyang, Mr. Wang Yiming, Mr. Qiu Xiaping, Mr. Liao Rongyao and Ms. Wang Meijuan.	N/A	N/A	1.18	1.11
19 Woo Foong Hong Limited	Moonchu Foundation (charitable organization), Mr. Zhang Songyi and Ms. Mui Bing How	Mr. Zhang Songyi and Ms. Mui Bing How	N/A	N/A	1.18	1.11
20 Diversity Ventures Limited	Mr. Bai Ye Feng	Mr. Bai Ye Feng	N/A	N/A	1.07	1.00
21 Halvorson Ventures Limited	Mr. Bai Ye Feng	Mr. Bai Ye Feng	N/A	N/A	0.93	0.87
22 Mandra iBase Limited	Mr. Zhang Songyi and Ms. Mui Bing How	Mr. Zhang Songyi	N/A	N/A	0.90	0.84
23 Black Swan Investment Holdings Limited	Ms. Zhou Jing	Ms. Zhou Jing	N/A	N/A	0.62	0.58
24 Hillingdon Ventures Limited	Mr. Choy Chung Wai Louis and Ms. Wong Jocelyn	Mr. Choy Chung Wai Louis and Ms. Wong Jocelyn	N/A	N/A	0.37	0.39
25 Lake Magic Investments Limited	Mr. Hu Wei	Mr. Hu Wei	N/A	N/A	0.25	0.23
26 China eCapital Investment Holdings Limited	Mr. Wang Ran	Mr. Wang Ran and Ms. Irene Hong Tanner	N/A	N/A	0.19	0.18
27 Dreamland Ventures Limited	Ms. Cai Qinghong, Mr. Guo Yupeng and Ms. Lu Xi	Ms. Cai Qinghong	N/A	N/A	0.12	0.12
28 Sheen Profit Holdings Limited	Mr. Kent Ho	Mr. Kent Ho	N/A	N/A	0.02	0.02
29 Delight Treasure Holdings Limited	Mr. Wen Cyrus Jun-ming	Mr. Wen Cyrus Jun-ming	N/A	N/A	–	0.27
30 Prime Ever Group Limited	Mr. Tung	Mr. Tung	N/A	N/A	–	0.62

LETTER FROM KINGSTON SECURITIES

Shareholders of JIMU	Ultimate beneficial owner(s)	Existing director(s) of the shareholders	General partner(s) (if applicable)	Limited partner(s) (if applicable)	Assuming no conversion of the convertible bonds of JIMU and as at the Latest Practicable Date Approximate Shareholding %	Assuming conversion of the convertible bonds of JIMU (Note 1) Approximate Shareholding %
31 Cheer Fortune Investment Limited (福至投资有限公司)	Ms. Guo Jia	Ms. Guo Jia	N/A	N/A	–	0.98
32 Fuda Investment Inc.	Ms. Guo Jia	Ms. Guo Jia	N/A	N/A	–	0.13
Total					100.00	100.00

Notes:

- The information pertaining to JIMU as contained in this Composite Document is provided by JIMU to the Offeror and reflects the information available to the Offeror as at the Latest Practicable Date.
- JIMU has received relevant confirmations from the holders of the convertible bonds (the “**CB Holders**”) in relation to the conversion of the convertible bonds before 26 September 2017. The parties have been on a best effort basis to arrange the conversion of the convertible bonds which is expected to be completed by end of November 2017. There are 12 CB Holders in total. The convertible bonds entitle the CB Holders to convert up to approximately 6.20% of the entire issued share capital of JIMU after taking into account the shares to be issued upon exercise of the conversion rights attaching to the convertible bonds.
- Haitong has entered into a term sheet on 22 September 2017 with Delight Treasure Holdings Limited (“**DT**”) to dispose of its entire shareholding interest in JIMU. On 20 October 2017, a sale and purchase agreement was entered into between Haitong and DT. Completion of the sale and purchase agreement is expected to take place on or before end of November 2017. Upon completion, Haitong will no longer hold any shares in JIMU and DT will hold approximately 1.38% of the shareholding in JIMU, assuming full conversion of the convertible bonds of JIMU.

Mr. Tung is a seasoned professional investor with about 10 years of experience in the investment industry, covering foreign exchange trading, stock trading and private equities investments.

Mr. Xie is currently the chief executive officer of Jimubox, a business operated under JIMU. He has about 20 years of experience at international financial institutions. Mr. Xie has worked at GE Capital in the United States of America as a risk manager. He has worked at the Citigroup as a vice president in credit card and small and medium-sized enterprises loans with responsibility in managing acquiring risk assets. He also served as a risk management consultant to China Everbright Bank Co., Ltd., and an internal auditor for Bank of China (Hong Kong) Limited. Mr. Xie holds a Ph.D in statistics from Yale University and a bachelor’s degree in mathematics from Nankai University.

LETTER FROM KINGSTON SECURITIES

Ms. Long is currently the vice president of strategy at 北京積木時代信息諮詢有限公司 (Beijing Jimu Times Information Consulting Co., Ltd.), a member of the JIMU group. She was previously at The Boston Consulting Group where she worked on various projects advising financial institutions, including banks, credit card centers, private equities and micro-lenders. After joining JIMU in 2014, she has been responsible for strategy, capital market and innovative businesses. Ms. Long holds a Master of Business Administration from Yale University and a bachelor's degree from Beihang University.

Prior to Completion, the Offeror and parties acting in concert with it did not own any Shares, convertible securities, options, warrants or derivatives in the Company or any other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company and were third parties independent of the Company and its connected persons.

OFFEROR'S INTENTION ON THE COMPANY

The Offeror intends that the Group will continue its existing principal activities. The Offeror will conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may diversify the business of the Group with the objective of broadening its sources of income, which may cover, among others, the financial services industry in the PRC or Hong Kong. However, as at the Latest Practicable Date, no such investment or business opportunities had been identified nor had the Offeror entered into any agreement, arrangements, understandings, intention or negotiation in relation to the injection of any assets or business into the Group. Notwithstanding the foregoing, the Offeror has not entered into any agreement, arrangements, understandings, intention or negotiations in relation to the continued employment of the employees, disposal and/or re-deployment of the assets (including fixed assets) of the Group, or termination or scaling down of any Group's business, other than in its ordinary course of business.

PROPOSED CHANGE TO THE BOARD COMPOSITION OF THE COMPANY

The Board is currently made up of five Directors, comprising two executive Directors and three independent non-executive Directors. The Offeror intends to nominate new Directors to the Board with effect from the earliest time permitted under the Takeovers Code or such later date as the Offeror considers appropriate but, as at the Latest Practicable Date, the Offeror had not reached any final decision as to who will be nominated as new Directors. Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and separate announcement(s) will be made in this regard as and when appropriate.

LETTER FROM KINGSTON SECURITIES

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror intends the Company to remain listed on GEM following the close of the Offer. The directors of the Offeror have jointly and severally undertaken, and the new Directors to be appointed to the Board will jointly and severally undertake, to the Stock Exchange to take appropriate steps (which may include, without limitation, placing down or selling down of Shares to independent third parties not connected with or acting in concert with the Offeror, its ultimate beneficial owners and associates, the directors, chief executive or substantial shareholders of the Company or any of their respective subsidiaries or any of their respective associates) as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

COMPULSORY ACQUISITION

The Offeror does not intend to avail itself of any power of compulsory acquisition of any Shares after the close of the Offer.

DEALING AND INTEREST IN THE COMPANY'S SECURITIES

Save for the acquisition of the Sale Shares, the Offeror and parties acting in concert with it had not dealt for value in any Shares, options, derivatives, warrants or other securities convertible into Shares during the Relevant Period.

ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

LETTER FROM KINGSTON SECURITIES

GENERAL

All documents and remittances will be sent to the Independent Shareholders by ordinary post at their own risk. These documents and remittances will be sent to them at their respective addresses as they appear in the register of members, in case of joint holders to the one whose name appears first in the said register, unless otherwise specified in the accompanying Form of Acceptance completed, returned and received by the Registrar. None of the Offeror and parties acting in concert with it, Kingston Securities, Kingston Corporate Finance, Veda Capital, Shenwan Hongyuan, the Registrar or any of their respective ultimate beneficial owners, directors, officers, associates, agents or any other person involved in the Offer will be responsible for any loss or delay in transmission of such documents and remittances or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information regarding the Offer set out in the appendices to this Composite Document and the accompanying Form of Acceptance, which form part of this Composite Document. In addition, your attention is also drawn to the “Letter from the Board”, the “Letter from the Independent Board Committee” and the letter of advice by the Independent Financial Adviser to the Independent Board Committee as set out in the “Letter from the Independent Financial Adviser” contained in this Composite Document.

Yours faithfully
For and on behalf of
Kingston Securities Limited
Chan Yin Tong, Cynthia
Director

LETTER FROM THE BOARD



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

Executive Directors:

Mr. HO Kin Wai

(Chairman and Chief Executive Officer)

Mr. HO Kin Pong

Independent non-executive directors:

Mr. YUEN Poi Lam William

Mr. LU Tak Ming

Mr. LIU Chun Kit

Registered Office:

Clifton House,

75 Fort Street,

PO Box 1350,

Grand Cayman KY1-1108,

Cayman Islands

Head Office and Principal Place of

Business in Hong Kong:

Unit 03, 15/F,

909 Cheung Sha Wan Road,

Cheung Sha Wan,

Kowloon, Hong Kong

17 November 2017

To the Independent Shareholders,

**MANDATORY UNCONDITIONAL CASH OFFER BY
KINGSTON SECURITIES
FOR AND ON BEHALF OF THE OFFEROR
FOR ALL THE ISSUED SHARES IN THE COMPANY
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED BY THE OFFEROR
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

Reference is made to the Joint Announcement. Terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise requires.

LETTER FROM THE BOARD

On 10 October 2017, the Vendors and the Offeror entered into the Sale and Purchase Agreement, pursuant to which the Vendors conditionally agreed to sell and the Offeror conditionally agreed to purchase the Sale Shares, representing approximately 73.00% of the entire issued share capital of the Company as at the Latest Practicable Date. The Consideration paid by the Offeror under the Sale and Purchase Agreement amounted to HK\$292,794,240 (representing HK\$ 0.8356 per Sale Share (rounded to 4 decimal places)). Completion took place on 11 October 2017.

Prior to Completion, the Offeror and parties acting in concert with it did not own any Shares, convertible securities, options, warrants or derivatives in the Company.

Immediately after Completion and as at the Latest Practicable Date, the Offeror and parties acting in concert with it own 350,400,000 Shares, representing 73.00% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Takeovers Code, the Offeror is required to make a mandatory unconditional cash offer for all the issued Shares (other than those Shares already owned by or agreed to be acquired by the Offeror and parties acting in concert with it). The Offer is unconditional in all respects.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to Rules 2.1 and 2.8 of the Takeovers Code, on 20 October 2017, the Board established the Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Yuen Poi Lam William, Mr. Lu Tak Ming and Mr. Liu Chun Kit to make a recommendation to the Independent Shareholders in respect of the Offer, in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

Pursuant to Rule 2.1 of the Takeovers Code, on 26 October 2017, Shenwan Hongyuan Capital (H.K.) Limited was appointed as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee in respect of the Offer, and in particular as to whether the terms of the Offer are fair and reasonable and as to the acceptance of the Offer.

The purpose of this Composite Document is to provide you with, among other things, information relating to the Group, the Offeror and the Offer as well as setting out the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in respect of the terms of the Offer and as to acceptance of the Offer, and the letter from Independent Financial Adviser containing its advice and recommendations to the Independent Board Committee.

LETTER FROM THE BOARD

MANDATORY UNCONDITIONAL CASH OFFER

As at the Latest Practicable Date, there were 480,000,000 Shares in issue. Save for 350,400,000 Shares that are already owned by the Offeror and parties acting in concert with it and 9,600,000 Shares held by Asia Matrix and Mr. Ho which is subject to the Undertaking, a total of 120,000,000 Shares will be subject to the Offer.

Save as disclosed above, there were no other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date.

Principal Terms of the Offer

As mentioned in the “LETTER FROM KINGSTON SECURITIES” on pages 6 to 17 of this Composite Document, Kingston Securities is making the Offer for and on behalf of the Offeror to all the Independent Shareholders for all the issued Shares (other than those Shares already owned and/or agreed to be acquired by the Offeror and parties acting in concert with it) in compliance with Note 1 to Notes to Rules 26.1 of the Takeovers Code on the following basis:

For each Offer Share HK\$0.8536 in cash

The Offer Price of HK\$0.8356 per Offer Share under the Offer is the same as the purchase price per Sale Share paid by the Offeror in the Sale and Purchase Agreement. The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, claims, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached thereto as at the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, paid or made on or after the date of despatch of the offer document or, as the case may be, the Composite Document.

The Undertaking

On 11 October 2017, Asia Matrix and Mr. Ho have irrevocably undertaken to the Offeror that Asia Matrix would (i) not dispose of, and/or not pledge to any other parties, and/or not transfer, and/or otherwise make 9,600,000 Shares (representing 2.00% of the total issued share capital of the Company as at the Latest Practicable Date) available for acceptance for the Offer; and (ii) not accept the Offer in respect of those 9,600,000 Shares.

Further details of the Offer, including terms and procedures for acceptance and settlement of the Offer, are contained in the “LETTER FROM KINGSTON SECURITIES” as set out on pages 6 to 17 of, and Appendix I to, this Composite Document and the accompanying Form of Acceptance.

LETTER FROM THE BOARD

INFORMATION OF THE GROUP

The Company is incorporated in the Cayman Islands with limited liability and the Shares are listed on the GEM. The Company is an investment holding company and its subsidiaries are 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.

Financial information

Set out below is (i) the audited consolidated results of the Group for each of the two years ended on 31 December 2015 and 2016; (ii) and its unaudited consolidated results of the Group for the nine months ended on 30 September 2017, as extracted from the annual report of the Company for the year ended 31 December 2016 and the third quarterly report of the Company for the nine months ended on 30 September 2017 respectively.

	For the nine months ended 30 September 2017 HK\$'000 (unaudited)	For the year ended 31 December 2016 HK\$'000 (audited)	2015 HK\$'000 (audited)
Revenue	157,033	241,389	302,672
Gross profit	16,362	24,585	41,198
(Loss)/profit before taxation	(5,873)	(13,009)	9,287
(Loss)/profit for the period/year	(5,903)	(13,671)	6,436

Set out below is (i) the audited consolidated net asset value attributable to owners of the Company as at 31 December 2015 and 2016; and (ii) its unaudited consolidated net asset value attributable to owners of the Company as at 30 June 2017, as extracted from the annual report of the Company for the year ended 31 December 2016 and the interim report of the Company for the six months ended 30 June 2017 respectively.

	As at 30 June 2017 HK\$'000	As at 31 December 2016 HK\$'000	As at 31 December 2015 HK\$'000
Consolidated net asset value attributable to owners of the Company	47,834	53,920	15,766

Your attention is drawn to Appendices II and III to this Composite Document which contain further financial and general information of the Group.

LETTER FROM THE BOARD

INFORMATION OF THE OFFEROR

Your attention is drawn to the section headed “INFORMATION ON THE OFFEROR” in the “LETTER FROM KINGSTON SECURITIES” as set out on pages 6 to 17 of this Composite Document, and Appendix IV to this Composite Document.

INTENTION OF THE OFFEROR REGARDING THE GROUP

Your attention is drawn to the sections headed “OFFEROR’S INTENTION ON THE COMPANY” in the “LETTER FROM KINGSTON SECURITIES” as set out on pages 6 to 17 of this Composite Document. The Board is aware of the Offeror’s intentions in respect of the Group and is willing to co-operate with the Offeror and act in the best interests of the Group and the Shareholders as a whole.

MAINTAINING THE LISTING STATUS OF THE COMPANY

It is stated in the “LETTER FROM KINGSTON SECURITIES” on pages 6 to 17 of this Composite Document that the Offeror intends the Company to remain listed on GEM following the close of the Offer. The directors of the Offeror have jointly and severally undertaken, and the new Directors to be appointed to the Board will jointly and severally undertake, to the Stock Exchange to take appropriate steps (which may include, without limitation, placing down or selling down of Shares to independent third parties not connected with or acting in concert with the Offeror, its ultimate beneficial owners and associates, the directors, chief executive or substantial shareholders of the Company or any of their respective subsidiaries or any of their respective associates) as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the Shares.

The Stock Exchange has stated that if, upon closing of the Offer, less than the minimum prescribed percentage applicable to the Company, being 25% of the Shares, are held by the public or if the Stock Exchange believes that (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, it will consider exercising its discretion to suspend trading in the Shares until the prescribed level of public float is restored.

LETTER FROM THE BOARD

RECOMMENDATIONS

Your attention is drawn to (i) the “LETTER FROM THE INDEPENDENT BOARD COMMITTEE” on pages 24 to 25 of this Composite Document, which sets out its recommendation to the Independent Shareholders as to whether the terms of the Offer are, or are not, fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof; and (ii) the “LETTER FROM THE INDEPENDENT FINANCIAL ADVISER” on pages 26 to 39 of this Composite Document, which sets out its advice and recommendation to the Independent Board Committee as to whether the terms of the Offer are, or are not, fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof, and the principal factors considered by it in arriving at its advice and recommendation.

The Independent Shareholders are urged to read those letters carefully before taking any action in respect of the Offer.

ADDITIONAL INFORMATION

You are advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Offer. Your attention is also drawn to the additional information contained in the appendices to this Composite Document.

In considering what action to take in connection with the Offer, you should also consider your own tax positions, if any, and in case of any doubt, consult your professional advisers.

Yours faithfully,
For and on behalf of
The board of directors of
Eversmart International Holdings Limited
Ho Kin Wai
Chairman and Executive Director

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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

17 November 2017

To the Independent Shareholders,

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
KINGSTON SECURITIES
FOR AND ON BEHALF OF THE OFFEROR
FOR ALL THE ISSUED SHARES IN THE COMPANY
(OTHER THAN THOSE SHARES ALREADY OWNED
OR AGREED TO BE ACQUIRED BY THE OFFEROR
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the composite offer and response document dated 17 November 2017 issued jointly by the Offeror and the Company (the “**Composite Document**”) of which this letter forms part. Capitalised terms used in this letter have the same meanings as defined in the Composite Document unless the context requires otherwise.

We have been appointed by the Board to form the Independent Board Committee to consider the terms of the Offer and to make a recommendation to you as to whether, in our opinion, the terms of the Offer are, or are not, fair and reasonable so far as the Independent Shareholders are concerned, and as to acceptance thereof.

Shenwan Hongyuan Capital (H.K.) Limited has been appointed as the independent financial adviser to advise us in respect of the terms of the Offer and as to acceptance thereof. Details of its advice and the principal factors considered by it in arriving at its advice and recommendation are set out in the “LETTER FROM INDEPENDENT FINANCIAL ADVISER” on pages 26 to 39 of the Composite Document.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We also wish to draw your attention to the “LETTER FROM THE BOARD”, the “LETTER FROM KINGSTON SECURITIES” and the additional information set out in the appendices to the Composite Document.

RECOMMENDATION

Having considered the terms of the Offer, taking into account the information contained in the Composite Document and the advice of the Independent Financial Adviser, in particular the factors, reasons and recommendations as set out in its letter in the Composite Document, we are of the opinion that the terms of the Offer are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend you to accept the Offer.

However, for those Independent Shareholders who are considering to realise all or part of their holdings in the Shares, they should closely monitor the market price and liquidity of the Shares during the period of the Offer. Should the market price of the Shares exceed the Offer Price during the period of the Offer, and the sale proceeds (net of transaction costs) exceed the net proceeds receivable under the Offer, the Independent Shareholders may wish to consider selling their Shares in the market instead of accepting the Offer.

In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for advice. Furthermore, the Independent Shareholders who wish to accept the Offer are recommended to read carefully the procedures for accepting the Offer as detailed in Appendix I to this Composite Document.

Notwithstanding our recommendation, the Independent Shareholders should consider carefully the terms and conditions of the Offer.

Yours faithfully,

For and on behalf of the

Independent Board Committee

Mr. YUEN Poi Lam William

Independent

Non-executive Director

Mr. LU Tak Ming

Independent

Non-executive Director

Mr. LIU Chun Kit

Independent

Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter of independent advice from Shenwan Hongyuan Capital (H.K.) Limited for the purpose of inclusion in this Composite Document:



Shenwan Hongyuan Capital (H.K.) Limited
Level 19
28 Hennessy Road
Hong Kong

17 November 2017

To The Independent Board Committee of
Ever Smart International Holdings Limited

Dear Sir or Madam,

**MANDATORY UNCONDITIONAL CASH OFFER BY
KINGSTON SECURITIES LIMITED
FOR AND ON BEHALF OF
JIMU GROUP HOLDINGS LIMITED
FOR ALL THE ISSUED SHARES IN
EVER SMART INTERNATIONAL HOLDINGS LIMITED
(OTHER THAN THOSE ALREADY OWNED
OR AGREED TO BE ACQUIRED
BY JIMU GROUP HOLDINGS LIMITED
AND PARTIES ACTING IN CONCERT WITH IT)**

INTRODUCTION

We refer to the composite offer and response document dated 17 November 2017 jointly issued by the Offeror and the Company (the “**Composite Document**”), of which this letter forms part, in connection with the Offer. Unless the context otherwise requires, terms used in this letter shall have the same meanings as defined in the Composite Document.

We, Shenwan Hongyuan Capital (H.K.) Limited, have been appointed as the independent financial adviser after your approval to advise you in connection with the Offer and in particular as to whether the Offer is, or is not, fair and reasonable and as to acceptance.

The Independent Board Committee, comprising all the three (3) independent non-executive Directors, namely Mr. YUEN Poi Lam William, Mr. LU Tak Ming and Mr. LIU Chun Kit, has been established to make a recommendation as to whether the Offer is, or is not, fair and reasonable and as to acceptance. The recommendation of the Independent Board Committee as regards the Offer is contained in its letter included in the Composite Document.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information and statements supplied, opinions and representations expressed by the Company and the Directors and have assumed that all such information and statements supplied, opinions and representations expressed to us were true, accurate and complete in all material aspects at the time they were provided. We have also sought and obtained confirmation from the Company that no material facts have been omitted from the information and statements supplied as well as opinions and representations expressed to us.

We consider that we have been provided with sufficient information to enable us to reach our advice and recommendations as set out in this letter and to justify our reliance on the accuracy of such information. We have no reason to suspect that any material facts or information (which are known to the Company) have been omitted or withheld from the information or statements supplied, or opinions or representations expressed to us nor to doubt the truth and accuracy of the information and statements supplied, or the reasonableness of the opinions and representations expressed to us. We have not, however, carried out any independent verification on the information provided to us by the Company and the Directors, nor have we conducted an independent in-depth investigation into the business or affairs or future prospects of the Group and the Offeror.

In formulating our opinion, we have taken no account of tax implications, if any, on the Independent Shareholders in connection with the Offer. They are advised to consult their own professional advisers in this regard if they are in doubt. We do not accept the responsibility for any tax effects on or liabilities of any persons as a result of their acceptance of the Offer.

PRINCIPAL FACTORS AND REASONS CONSIDERED

We have taken into account the following principal factors and reasons in arriving at our recommendations with regard to the Offer:

Background leading to the Offer

The Offer Period commenced on 29 September 2017 when the Rule 3.7 Announcement was issued by the Company, which was informed by the Vendor that it was in preliminary discussion with an independent third party regarding a possible disposal of all or part of the Vendor's Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 10 October 2017, the Vendor, the Covenantor and the Offeror entered into the Sale and Purchase Agreement regarding the acquisition by the Offeror of 350,400,000 Shares held by the Vendor, representing 73.00% of the entire issued share capital of the Company as at the Latest Practicable Date, for a cash consideration of HK\$292,794,240 i.e. HK\$0.8356 per Sale Share. The Sale Shares were acquired by the Offeror free from any encumbrance and together with all rights attached and accrued to them at the date of the Sale and Purchase Agreement including all rights to any dividend or other distribution declared, made or paid on or after the date of Completion. The Completion took place on 11 October 2017.

As a result of the Completion, the Offeror acquired more than 50% of the voting rights of the Company and has therefore incurred an obligation to make an unconditional mandatory offer under the Takeovers Code for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it). Prior to Completion, the Offeror and parties acting in concert with it did not own any Shares, convertible securities, options, warrants or derivatives in the Company.

As at the Latest Practicable Date, there were no outstanding warrants, options, derivatives or securities convertible into Shares and the Company had not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

The Offer

Set out in the Composite Document are the details of the Offer (including the procedures for acceptance of the Offer set out in Appendix I thereto). Kingston Securities, for and on behalf of the Offeror and in compliance with the Takeovers Code, makes the following Offer:

For each Offer Share HK\$0.8356 in cash

As at the Latest Practicable Date, there were 480,000,000 Shares in issue. The Offer Price is the same as the purchase price per Sale Share under the Sale and Purchase Agreement, which was arrived at after arm's length negotiations between the Offeror and the Vendor.

The Offer Shares to be acquired under the Offer shall be fully paid and shall be acquired free from all liens, claims, encumbrances, rights of pre-emption and any other third party rights of any nature and together with all rights attached thereto as at the date on which the Offer is made or subsequently becoming attached to them, including the right to receive in full all dividends and other distributions, if any, declared, paid or made the record date of which falls on or after the date of despatch of the Composite Document.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Offer is unconditional in all respects and is not conditional upon acceptances being received in respect of a minimum number or any other conditions.

On 11 October 2017, Asia Matrix and Mr. Ho have irrevocably undertaken to the Offeror that Asia Matrix will (i) not dispose of, and/or not pledge to any other parties, and/or not transfer, and/or otherwise make 9,600,000 Shares (representing 2.00% of the entire issued share capital of the Company as at the Latest Practicable Date) available for acceptance for the Offer; and (ii) not accept the Offer in respect of these 9,600,000 Shares.

Information on the Group

The Shares have been listed on GEM since 30 May 2016. Other than the three (3) independent non-executive Directors, the Board currently has two (2) executive Directors who are Mr. Ho (chairman and chief executive officer) and Mr. Ho Kin Pong (Mr. Ho's younger brother).

Founded in 2009, 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, the Group has built a diverse global customer portfolio comprising primarily international wholesalers and retailers which are brand owners and/or licensees of formal and casual footwear. A significant portion of the Group's footwear has been exported overseas with shipment destinations covering about 30 countries, including Australia, the United Kingdom ("UK"), the United States, New Zealand and Chile.

The Group has adopted the strategy of sourcing footwear from suppliers primarily located in Wenzhou, Fujian and Dongguan in the PRC as opposed to running its own factory such that it can focus on its principal strengths such as product design and quality control.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) Financial performance of the Group

Set out below is the financial performance of the Group extracted from the prospectus of the Company dated 20 May 2016 (the “**Prospectus**”) and Appendix II to the Composite Document:

	Nine months ended		Year ended 31 December			
	30 September					
	2017	2016	2016	2015	2014	2013
	(Unaudited)	(Unaudited)	(Audited)	(Audited)	(Audited)	(Audited)
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	157,033	179,251	241,389	302,672	243,742	303,439
Gross profit	16,362	19,136	24,585	41,198	30,464	35,097
Gross profit margin (%)	10.4%	10.7%	10.2%	13.6%	12.5%	11.6%
Listing expenses	–	(9,263)	(9,263)	(7,285)	(2,356)	–
(Loss) Profit before taxation	(5,873)	(7,339)	(13,009)	9,287	11,354	12,945
(Loss) Profit for the period/year	(5,903)	(8,357)	(13,671)	6,436	8,404	10,161

For the four financial years ended 31 December 2016, the Group’s annual revenue exceeded HK\$300 million, except (a) the year ended 31 December 2014, where, among other things, the Group terminated its business relationship with a customer from Russia due to the increasing credit risk as a result of the abrupt devaluation of Ruble and economic instability of Russia; and (b) the year ended 31 December 2016, where the Group was hit by the occurrence of unexpected global instability events, including Brexit and the resulting depreciation of British pound and the terrorist attacks in Europe, which had adversely affected the sentiment of customers.

For the nine months ended 30 September 2017, the Group continued to be adversely affected by various uncertainties clouding the European economy, including the continuous impact of Brexit on the UK’s economy, the instabilities caused by the migrant crisis in Europe and the tension arising from various terrorist attacks. During the period, the Group’s sales to customers with shipment destinations to the UK and other European countries decreased by approximately 55.1% or HK\$34.6 million on a period-on-period basis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Since the third quarter of 2016, the Group's profitability has been under pressure primarily due to (a) the poor market sentiment in the UK and other European countries which altogether accounted for (1) approximately 35.0% and 17.9% of the total revenue of the Group for the nine months ended 30 September 2016 and 2017 respectively; and (2) approximately 43.3% and 20.0% of the total revenue of the Group for the six months ended 30 June 2016 and 2017 respectively; (b) an increase in selling and distribution expenses for the Group's business operations as a result of additional sales staff hired from time to time for broadening customer base and product offerings; and (c) an increase in administrative expenses as a result of increased on-going compliance costs such as audit and legal fees after the listing of the Shares on 30 May 2016.

(ii) Financial position of the Group

	30 June 2017 HK\$'000
Property, plant and equipment	2,553
Trade and bills receivables	26,360
Prepayments and deposits	7,219
Tax recoverable	3,205
Pledged bank deposits	18,178
Bank balances and cash	46,148
Trade and other payables	(27,376)
Bank borrowings – due within one year	<u>(28,453)</u>
	<u><u>47,834</u></u>

Since the Group has adopted the strategy of sourcing footwear from external suppliers, it does not run its own factory for production. The Group's property, plant equipment therefore represented less than 2.5% of its total assets as at 30 June 2017. As at 30 June 2017, the Group had (a) a current ratio of 1.8 times which implied that the Group's current liabilities were relatively well covered by its current assets; and (b) a net debt to equity ratio of zero which implied that the Group's short-term bank borrowings were well covered by its bank balances and cash. The Group's bank borrowings were primarily comprised of trust receipt loans for trade finance purposes, trade receivables transferred to banks at discount on a recourse basis, and bank and hire purchase loans.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Compared with the unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to owner of the Company as disclosed in Appendix II to the Prospectus of approximately HK\$60.8 million, the financial position of the Group in terms of its net asset value has shrunk to approximately HK\$47.8 million primarily due to the losses recorded for the year ended 31 December 2016 and the six months ended 30 June 2017 as a result of the reasons discussed in the sub-section headed “Information on the Group – Financial performance of the Group” in this letter. On the basis of the unaudited net asset value of the Group of approximately HK\$47,834,000 and a total of 480,000,000 Shares in issue, the unaudited net asset value of the Group was approximately HK\$0.0997 per Share as at 30 June 2017. Please refer to the sub-section headed “Evaluation of the Offer Price – Comparable analysis” in this letter for our further discussion.

(iii) Future prospects of the Group

Set out in the sub-section headed “Information on the Group” in this letter is how the Group operates its business, where it focuses on footwear design, quality control and logistics management without running its own factory. The majority of its footwear products are sold to overseas markets.

For the nine months ended 30 September 2017, the revenue from the UK and other European countries dropped by approximately 55.1% or HK\$34.6 million on a period-on-period basis. The Directors advised that the Group’s financial performance has been subjected to more or less the same external factors such as uncertainties over the European economy, including the continuous impact of Brexit on the UK’s economy, the instabilities caused by the migrant crisis in Europe and the tension arising from terrorist attacks since the third quarter of 2016. According to the Office for National Statistics (a statistical institute in the UK), the UK recorded in the first quarter of 2017 the steepest decline in its disposable income of households per capita since the end of 2011, which decrease was around 2% from the year before. According to Eurostat (a statistical office of the European Union), the European Union’s annual disposable income of households per capita dropped by 0.2% in 2016 as opposed to a 4.5% rise in the year before. Such declines in the disposable income of households in Europe including the UK suggest weak consumer spending in those markets. Therefore, we concur with the Directors that the poor market sentiment in the UK and other European countries pose challenges for the Group to turn around its financial results in the short run.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We also note that the gross profit margin of the Group has come down from its peak at 13.6% for the year ended 31 December 2015 to 10.4% for the nine months ended 30 September 2017, being almost the lowest since 2013 and only 0.2% higher than 10.2% for the year ended 31 December 2016 as disclosed in the sub-section headed “Information on the Group – Financial performance of the Group” in this letter. Such level of gross profit margin suggests to us that the Group may not be as competitive as in prior periods probably due to the markets it serves (e.g. the revenue from the UK and other European markets has decreased), its bargaining power with suppliers (e.g. some suppliers may no longer absorb the sample and molding fees), how it controls its direct costs (e.g. staff costs and sample and molding fees have increased), and its pricing strategy (e.g. the Group may not be able to pass on the sample and molding fees to customers), etc. In addition, the Directors advised that the Group is positioned in the middle- to high-end footwear sectors in which there are over 500 operators without manufacturing capability in the PRC whose gross profit margins are usually around 10% to 20% according to the Prospectus. The Directors and we consider that it is reasonable to rely on the Prospectus for such market information as both the Directors and we are not aware of any significant changes in this regard since the Prospectus was issued. The Group is therefore considered at the low-end in terms of gross profit margin compared to its peers. We consider that (a) the decline in the Group’s gross profit margin to its almost lowest level since 2013; and (b) the relatively low level of the Group’s gross profit margin compared to its peers cast uncertainty on the ability of the Group to turn around its loss making position in the foreseeable future.

Further, as discussed in the sub-section headed “Information on the Offeror, its intention in relation to the Group and the proposed change of the Board” in this letter, we consider that there are uncertainties associated with the business development and direction of the Group given that (a) none of the directors of the Offeror has the relevant experience in the Group’s existing business; (b) the Offeror intends to change the composition of the Board but no final decision as to who will be nominated as new Directors has been reached yet; (c) the operations of the Group will be subject to the Offeror’s review; and (d) there is no concrete timetable and business plan available in relation to the business opportunities as referred to in the letter from Kingston Securities included in the Composite Document, which are not beneficial from the perspective of investment in the Shares.

Information on the Offeror, its intention in relation to the Group and the proposed change of the Board

Set out in the letter from Kingston Securities included in the Composite Document is the information on, *inter alia*, the Offeror, its intention in relation to the Group and the proposed change of the Board.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(i) The Offeror

The Offeror is a company incorporated in the BVI on 4 September 2014 with limited liability. It is principally engaged in investment holding. The Offeror is owned as to 85% by Jimu Times Limited (“**JIMUTIMES**”) and 15% by Mr. Tung Sun Tat, Clement (“**Mr. Tung**”). Mr. Tung, Mr. Xie Qun (“**Mr. Xie**”) and Ms. Long Jingjie (“**Ms. Long**”) are the directors of the Offeror. Included in the letter from Kingston Securities included in the Composite Document are (a) further details in relation to JIMUTIMES which is ultimately owned by a number of shareholders; and (b) biographical details of each of Mr. Tung, Mr. Xie and Ms. Long. Based on the information disclosed therein, none of Mr. Tung, Mr. Xie and Ms. Long has the relevant experience in the Group’s existing business, which casts uncertainty on the business development and direction of the Group.

(ii) Intention of the Offeror in relation to the Group

The Offeror intends that the Group will continue its existing principal activities. The Offeror will conduct a detailed review of the business operations and financial position of the Group for the purpose of developing a sustainable business plan or strategy for the Group. Subject to the result of the review and should suitable investment or business opportunities arise, the Offeror may diversify the business of the Group with the objective of broadening its sources of income, which may cover, among others, the financial services industry in the PRC or Hong Kong. However, as at the Latest Practicable Date, no such investment or business opportunities had been identified nor had the Offeror entered into any agreement, arrangements, understandings, intention or negotiation in relation to the injection of any assets or business into the Group. Notwithstanding the foregoing, the Offeror had not entered into any agreement, arrangements, understandings, intention or negotiations in relation to the continued employment of the employees, disposal and/or re-deployment of the assets (including fixed assets) of the Group, or termination or scaling down of any Group’s business, other than in its ordinary course of business.

We consider that there are uncertainties associated with the business development and direction of the Group in view of the intention of the Offeror in relation to the Group as there is no concrete timetable and business plan available in connection with the business opportunities as referred to in the preceding paragraph and it poses a business risk that such opportunities may not materialise in the end, which is not beneficial from the perspective of investment in the Shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) Proposed change of the Board

The Board is currently made up of five (5) Directors, comprising two (2) executive Directors and three (3) independent non-executive Directors. The Offeror intends to nominate new Directors to the Board with effect from the earliest time permitted under the Takeovers Code or such later date as the Offeror considers appropriate but, as at the Latest Practicable Date, the Offeror had not reached any final decision as to who will be nominated as new Directors. Any changes to the Board will be made in compliance with the Takeovers Code and the GEM Listing Rules and separate announcement(s) will be made in this regard as and when appropriate.

We consider that the proposed change of the Board casts uncertainty on the business development and direction of the Group as the background of the new Directors was yet to be revealed as at the Latest Practicable Date.

Evaluation of the Offer Price

The Offer Price is the same as the purchase price per Sale Share under the Sale and Purchase Agreement, which was arrived at after arm's length negotiations between the Offeror and the Vendor.

(i) Comparable analysis

For the financial year ended 31 December 2016 and the six months ended 30 June 2017, the Group recorded losses and net operating cash outflows. As such, we consider that an evaluation of the Offer Price based on price-to-earnings multiples or a discounted cash flow model is not appropriate.

The Offer Price of HK\$0.8356 per Share implies a price-to-book ratio of approximately 8.38 times of the unaudited net asset value of the Group of approximately HK\$0.0997 per Share as at 30 June 2017. As discussed in the sub-section headed "Information on the Group" in this letter, the Group does not own any property and a significant portion of the Group's footwear has been exported overseas with shipment destinations covering about 30 countries. On this basis, we were unable to identify any company listed on GEM as at the Latest Practicable Date which (a) operates a business similar to the Group's, (b) owns no property and (c) has over 80% of its revenue generated from countries other than the PRC and Hong Kong. As such, we consider that an evaluation of the Offer Price based on price-to-book multiples is not appropriate either.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(ii) *Share price performance*

Set out below is the performance of the closing prices of the Shares during the period from the listing of the Shares on 30 May 2016 to the Latest Practicable Date (inclusive of both dates) (the “**Review Period**”):



During the Review Period, the closing prices ranged from HK\$0.26 per Share on 1 August 2016, 14 July 2017 and 14 August 2017 to HK\$1.72 per Share as at the Latest Practicable Date, and had an average of HK\$0.42 per Share. Other than the first two trading days (i.e. 30 and 31 May 2016) since the Shares were listed on GEM, the Offer Price represents a price above all closing prices of the Shares prior to the commencement of the Offer Period. The closing prices exhibited an upsurge from HK\$0.60 per Share on 29 September 2017 (i.e. the beginning of the Offer Period) to HK\$1.72 per Share as at the Latest Practicable Date, which is believed to be attributable to the market reaction to the Rule 3.7 Announcement followed by the Joint Announcement. Taking into account that the Offer Price represents a price above (a) all closing prices of the Shares prior to the commencement of the Offer Period except the first two trading days since the Shares were listed on GEM on 30 May 2016; (b) the average closing price of HK\$0.42 per Share during the Review Period; and (c) HK\$0.50 per placing Share for the initial listing of the Shares on GEM, we consider that the Offer Price is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(iii) *Liquidity analysis*

	Daily average of Shares traded	% to the total issued Shares (%)	% to the issued Shares in public hands (%)
2016			
30 and 31 May	26,847,750	5.59	22.37
June	20,906,190	4.36	17.42
July	1,742,250	0.36	1.45
August	655,455	0.14	0.55
September	1,038,810	0.22	0.87
October	434,737	0.09	0.36
November	612,273	0.13	0.51
December	294,000	0.06	0.25
2017			
January	210,789	0.04	0.18
February	579,250	0.12	0.48
March	297,826	0.06	0.25
April	391,176	0.08	0.33
May	2,599,750	0.54	2.17
June	632,955	0.13	0.53
July	428,095	0.09	0.36
August	394,091	0.08	0.33
September ^(Note)	3,511,905	0.73	2.93
October ^(Note)	5,912,700	1.23	4.93
1 November up to the Latest Practicable Date	4,163,000	0.87	3.47

Note: Trading in the Shares was halted in the afternoon session on 29 September 2017 and during the period from 11 to 20 October 2017 (inclusive of both dates).

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Shares were actively traded in around the first two weeks after the listing of the Shares on 30 May 2016. Since then, all percentages of daily averages of Shares traded have been less than 1% of the issued Shares in public hands except July 2016 and May, September, October and November 2017. We consider that such level of liquidity of the Shares would not be sufficient for the Independent Shareholders to sell a significant number of their Shares on the open market without exerting a downward pressure on the market price of the Shares. We therefore consider that the Offer provides an opportunity to the Independent Shareholders to realise their investment in the Company should they wish to do so after considering the information contained in the Composite Document.

OPINION

Having taken into account the principal factors and reasons set out above, in particular:

- (i) since 2016, the Group has been making losses primarily due to (a) the poor market sentiment in the UK and other European countries as evidenced by the weak consumer spending as a result of declined disposable income of households in those markets; and (b) increased operating costs as discussed in the sub-section headed “Information on the Group – Financial performance of the Group” in this letter, which pose challenges for the Group to turn around its financial results in the short run;
- (ii) the gross profit margin of the Group has come down from its peak at 13.6% for the year ended 31 December 2015 to 10.4% for the nine months ended 30 September 2017, being almost the lowest since 2013 and at the low-end compared to the Group’s peers, which cast uncertainty on the ability of the Group to turn around its loss making position in the foreseeable future; and
- (iii) the Offer Price represents a price above (a) all closing prices of the Shares prior to the commencement of the Offer Period except the first two trading days since the Shares were listed on GEM on 30 May 2016; (b) the average closing price of HK\$0.42 per Share during the Review Period; and (c) HK\$0.50 per placing Share for the initial listing of the Shares on GEM,

we consider that the Offer is fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to accept the Offer.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For those Independent Shareholders who are considering to realise all or part of their investment in the Company, they should monitor the Share price performance until the end of the Offer Period. If the market price of the Shares exceeds the Offer Price and the sale proceeds net of transaction costs exceed the net proceeds receivable under the Offer, the Independent Shareholders should consider to sell their Shares on the open market instead of accepting the Offer.

The Offeror does not intend to avail itself of any power of compulsory acquisition of any Shares after the close of the Offer. Accordingly, for those Independent Shareholders who, after considering the information contained in the Composite Document, are attracted by the future prospects of the Group following the Offer, they should consider retaining all or part of their Shares.

The Offeror intends the Company to remain listed on GEM following the close of the Offer. The directors of the Offeror have jointly and severally undertaken, and the new Directors to be appointed to the Board will jointly and severally undertake, to the Stock Exchange to take appropriate steps (which may include, without limitation, placing down or selling down of Shares to independent third parties not connected with or acting in concert with the Offeror, its ultimate beneficial owners and associates, the directors, chief executive or substantial shareholders of the Company or any of their respective subsidiaries or any of their respective associates) as soon as possible following the close of the Offer to ensure that a sufficient public float exists for the Shares. If, at the close of the Offer, less than 25% of the Shares are held by the public, the Stock Exchange will consider exercising its discretion to suspend dealings in the Shares. There is a possibility that the listing of the Shares may suffer from a prolonged suspension in the event that the public float cannot be restored. In such case, the Shareholders will not be able to sell their Shares on the Stock Exchange until trading in the Shares resumes.

The Independent Shareholders should read carefully the procedures for acceptance of the Offer set out in Appendix I to the Composite Document.

Yours faithfully,
for and on behalf of
Shenwan Hongyuan Capital (H.K.) Limited
Felix Chan
Managing Director
Deputy Head of Corporate Finance

1. PROCEDURES FOR ACCEPTANCE OF THE OFFER

- (a) To accept the Offer, you should complete and sign the accompanying Form of Acceptance in accordance with the instructions printed thereon, which instructions form part of the terms of the Offer.
- (b) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in your name, and you wish to accept the Offer, you must send the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar, being Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, by post or by hand, marked "**Ever Smart International Holdings Limited General Offer**" on the envelope, as soon as possible and in any event not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code.
- (c) If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are in the name of a nominee company or a name other than your own, and you wish to accept the Offer whether in full or in part of your Shares, you must either:
 - (i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee, with instructions authorising it to accept the Offer on your behalf and requesting it to deliver in an envelope marked "**Ever Smart International Holdings Limited General Offer**" the duly completed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or
 - (ii) arrange for the Shares to be registered in your name by the Company through the Registrar, and deliver in an envelope marked "**Ever Smart International Holdings Limited General Offer**" the duly completed and signed Form of Acceptance together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

APPENDIX I FURTHER TERMS OF THE OFFER AND PROCEDURES OF ACCEPTANCE

- (iii) if your Shares have been lodged with your licensed securities dealer/registered institution in securities/custodian bank through CCASS, instruct your licensed securities dealer/registered institution in securities/custodian bank to authorize HKSCC Nominees Limited to accept the Offer on your behalf on or before the deadline set by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/registered institution in securities/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/registered institution in securities/custodian bank as required by them; or
 - (iv) if your Shares have been lodged with your investor participant's account maintained with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.
- (d) If the Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost, as the case may be, and you wish to accept the Offer in respect of your Shares, the Form of Acceptance should nevertheless be completed and delivered in an envelope marked **“Ever Smart International Holdings Limited General Offer”** to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it is/they are not readily available. If you find such document(s) or if it/they become(s) available, it/they should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title, you should also write to the Registrar a letter of indemnity which, when completed in accordance with the instructions given, should be returned to the Registrar.
- (e) If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s), and you wish to accept the Offer in respect of your Shares, you should nevertheless complete and sign the Form of Acceptance and deliver it in an envelope marked **“Ever Smart International Holdings Limited General Offer”** to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror and/or Kingston Securities and/or their respective agent(s) to collect from the Company or the Registrar on your behalf the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar on

APPENDIX I FURTHER TERMS OF THE OFFER AND PROCEDURES OF ACCEPTANCE

your behalf and to authorize and instruct the Registrar to hold such Share certificate(s), subject to the terms and conditions of the Offer, as if it was/they were delivered to the Registrar with the Form of Acceptance.

- (f) Acceptance of the Offer will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on the Closing Date (or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code) and the Registrar has recorded the Form of Acceptance and any relevant documents required by the Takeovers Code have been so received, and is:
 - (i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if that/those Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) is/are not in your name, such other documents (e.g. a duly stamped transfer of the relevant Share(s) in blank or in your favour executed by the registered holder) in order to establish your right to become the registered holder of the relevant Shares; or
 - (ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to the Shares which are not taken into account under another subparagraph of this paragraph (f)); or
 - (iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholder, appropriate documentary evidence of authority (e.g. grant of probate or certified copy of a power of attorney) to the satisfaction of the Registrar must be produced.

- (g) No acknowledgement of receipt of any Form of Acceptance, Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

2. SETTLEMENT OF THE OFFER

Provided that a valid Form of Acceptance and the relevant certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are complete and in good order in all respects in accordance with the Takeovers Code and have been received by the Registrar not later than 4:00 p.m. on the Closing Date or such later time and/or date as the Offeror may determine and announce in accordance with the Takeovers Code, a cheque for the amount representing the cash consideration due to

APPENDIX I FURTHER TERMS OF THE OFFER AND PROCEDURES OF ACCEPTANCE

each of the Independent Shareholders who accepts the Offer less seller's ad valorem stamp duty in respect of the Shares tendered by it/him/her under the Offer will be despatched to such Independent Shareholder by ordinary post at its/his/her own risk as soon as possible but in any event within seven (7) business days (as defined under the Takeovers Code) after the date on which all the relevant documents which render such acceptance complete and valid are received by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any accepting Independent Shareholder is entitled under the Offer will be implemented in full in accordance with the terms of the Offer (save with respect to the payment of seller's ad valorem stamp duty), without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such accepting Independent Shareholder.

3. ACCEPTANCE PERIOD AND REVISIONS

- (a) In order to be valid for the Offer, the Form of Acceptance must be received by the Registrar in accordance with the instructions printed thereon by 4:00 p.m. on the Closing Date, unless the Offer is extended or revised in accordance with the Takeovers Code. The Offer is unconditional.
- (b) The Offeror reserves the right to revise the terms of the Offer in accordance with the Takeovers Code. If the Offeror revises the terms of the Offer, all the Independent Shareholders, whether or not they have already accepted the Offer, will be entitled to accept the revised Offer under the revised terms.
- (c) If the Offer is extended or revised, the announcement of such extension or revision will state the next closing date or the Offer will remain open until further notice. In the latter case, at least 14 days' notice in writing will be given before the Offer is closed to the Independent Shareholders who have not accepted the Offer, and an announcement will be released. The revised Offer will be kept open for at least 14 days thereafter.
- (d) If the Closing Date is extended, any reference in this Composite Document and in the Form of Acceptance to the Closing Date shall, except where the context otherwise requires, be deemed to refer to the closing date of the Offer as so extended.
- (e) Any acceptance of the relevant revised Offer shall be irrevocable unless and until the Independent Shareholders who accept the Offer become entitled to withdraw their acceptance under the paragraph headed "6. Right of withdrawal" below and duly do so.

4. NOMINEE REGISTRATION

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Offer.

5. ANNOUNCEMENTS

- (a) By 6:00 p.m. on the Closing Date (or such later time and/or date as the Executive may in exceptional circumstances permit), the Offeror must inform the Executive and the Stock Exchange of its decision in relation to the revision, extension or expiry of the Offer. The Offeror must post an announcement on the Stock Exchange's website by 7:00 p.m. on the Closing Date stating the results of the Offer and whether the Offer has been revised, extended, or has expired (and, in each case, whether as to acceptances or in all respects).

The announcement will state the total number of Shares and rights over Shares:

- (i) for which acceptances of the Offer have been received;
- (ii) held, controlled or directed by the Offeror or persons acting in concert with it before the Offer Period; and
- (iii) acquired or agreed to be acquired during the Offer Period by the Offeror and persons acting in concert with it.

The announcement must include details of any relevant securities (as defined in the Takeovers Code) in the Company which the Offeror and parties acting in concert with it have borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

The announcement must also specify the percentages of the issued share capital of the Company and the percentages of voting rights of the Company represented by these numbers.

In computing the total number of Shares represented by acceptances, only valid acceptances that are complete, in good order and fulfill the acceptance conditions set out in paragraph headed "1. Procedures for acceptance of the Offer" above, and which have been received by the Registrar respectively no later than 4:00 p.m. on the Closing Date, unless the Offer is extended or revised in accordance with the Takeovers Code, shall be included.

APPENDIX I FURTHER TERMS OF THE OFFER AND PROCEDURES OF ACCEPTANCE

- (b) As required under the Takeovers Code, all announcements in relation to the Offer which the Executive and the Stock Exchange have confirmed that they have no further comments thereon must be made in accordance with the requirements of the Takeovers Code and the GEM Listing Rules.

6. RIGHT OF WITHDRAWAL

- (a) Acceptance of the Offer tendered by the Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out in subparagraph (b) below.
- (b) If the Offeror is unable to comply with the requirements set out in the paragraph headed “5. Announcements” above, the Executive may require that the Independent Shareholders who have tendered acceptances to the Offer be granted a right of withdrawal on terms that are acceptable to the Executive until the requirements set out in that paragraph are met.

In such case, when the Independent Shareholders withdraw their acceptance(s), the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to the relevant Independent Shareholder(s).

7. STAMP DUTY

The seller’s Hong Kong ad valorem stamp duty arising in connection with acceptance of the Offer amounting to 0.1% of the amount payable in respect of the relevant acceptances by the Shareholders, or (if higher), the market value of the Shares, will be deducted from the amount payable to Shareholders who accept the Offer. The Offeror will bear its own portion of buyer’s Hong Kong ad valorem stamp duty at the rate of 0.1% of the amount payable in respect of the relevant acceptances, or (if higher), the market value of the Shares, and will be responsible to account to the Stamp Office of Hong Kong for stamp duty payable for the sale and purchase of the Shares which are validly tendered for acceptance under the Offer.

8. OVERSEAS SHAREHOLDERS

As the Offer to persons not residing in Hong Kong may be affected by the laws of the relevant jurisdiction in which they are residents, Overseas Shareholders whose addresses as shown in the register of members of the Company are outside Hong Kong or who are citizens, residents or nationals of a jurisdiction outside Hong Kong should obtain information about and observe any applicable legal or regulatory requirements and, where necessary, seek legal advice in respect of the Offer. It is the responsibility of the Overseas Shareholders who wish to accept the Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due in respect of such jurisdictions).

Any acceptance of any Overseas Shareholders will be deemed to constitute a representation and warranty from such Shareholders to the Offeror that the local laws and requirements have been complied with. The Overseas Shareholders should consult their professional advisers if in doubt.

9. TAXATION ADVICE

Shareholders are recommended to consult their own professional advisers as to the taxation implications of accepting or rejecting the Offer. The Offeror accepts no responsibility for any taxation effects on, or liabilities of, any persons as a result of their acceptance or rejection of the Offer.

10. GENERAL

- (a) All communications, notices, Form of Acceptance, Share certificate(s), transfer receipt(s), other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to settle the consideration payable under the Offer to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, by ordinary post at their own risk, and the Offeror, its ultimate beneficial owners, the Company, Kingston Securities, Kingston Corporate Finance, Veda Capital, Shenwan Hongyuan, the Registrar, any of their respective directors and professional advisers and any other parties involved in the Offer and any of their respective agents do not accept any liability for any loss or delay in postage or any other liabilities that may arise as a result thereof.
- (b) The provisions set out in the Form of Acceptance form part of the terms and conditions of the Offer.

APPENDIX I FURTHER TERMS OF THE OFFER AND PROCEDURES OF ACCEPTANCE

- (c) The accidental omission to despatch this Composite Document and/or Form of Acceptance or any of them to any person to whom the Offer is made will not invalidate the Offer in any way.
- (d) The Offer is, and all acceptances will be, governed by and construed in accordance with the laws of Hong Kong.
- (e) Due execution of the Form(s) of Acceptance will constitute an authority to the Offeror, Kingston Securities or such person or persons as the Offeror may direct to complete, amend and execute any document on behalf of the person or persons accepting the Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror, or such person or persons as they may direct, the Shares in respect of which such person or persons has/have accepted the Offer.
- (f) Acceptance of the Offer by any person or persons will be deemed to constitute a representation and warranty by such person or persons to the Offeror and the Company that the Shares acquired under the Offer are sold by such person or persons free from all encumbrances whatsoever and together with all rights accruing or attaching thereto including the rights to receive in full all dividends and distributions recommended, declared, made or paid the record date of which falls on or after the date on which the Offer is made, that is, the date of posting of this Composite Document.
- (g) References to the Offer in this Composite Document and the Form of Acceptance shall include any revision and/or extension thereof.
- (h) The making of the Offer to the Overseas Shareholders may be prohibited or affected by the laws of the relevant jurisdictions. The Overseas Shareholders should inform themselves about and observe any applicable legal or regulatory requirements. It is the responsibility of each Overseas Shareholder who wishes to accept the Offer to satisfy himself/herself/itself as to the full observance of the laws and regulations of all relevant jurisdictions in connection therewith, including, but not limited to the obtaining of any governmental, exchange control or other consents and any registration or filing which may be required and the compliance with all necessary formalities, regulatory and/or legal requirements. Such Overseas Shareholders shall be fully responsible for the payment of any transfer or other taxes and duties due by such Overseas Shareholders in respect of the relevant jurisdictions. The Overseas Shareholders are recommended to seek professional advice on deciding whether or not to accept the Offer.

APPENDIX I FURTHER TERMS OF THE OFFER AND PROCEDURES OF ACCEPTANCE

- (i) Acceptances of the Offer by any persons will be deemed to constitute a representation and warranty by such persons that such persons are permitted under all applicable laws and regulations to receive and accept the Offer, and any revision thereof, and such acceptances shall be valid and binding in accordance with all applicable laws and regulations. Any such persons will be responsible for any such issue, transfer and other applicable taxes or other governmental payments payable by such persons.
- (j) Subject to the Takeovers Code, the Offeror reserves the right to notify any matter (including the making of the Offer) to all or any Independent Shareholders with registered address(es) outside Hong Kong or whom the Offeror or Kingston Securities knows to be nominees, trustees or custodians for such persons by announcement in which case such notice shall be deemed to have been sufficiently given notwithstanding any failure by any such Independent Shareholders to receive or see such notice, and all references in this Composite Document to notice in writing shall be construed accordingly.
- (k) In making their decision, the Independent Shareholders must rely on their own examination of the Offeror, the Group and the terms of the Offer, including the merits and risks involved. The contents of this Composite Document, including any general advice or recommendation contained herein, together with the Form of Acceptance shall not be construed as any legal or business advice on the part of the Offeror, its ultimate beneficial owners, the Company, Kingston Securities, Kingston Corporate Finance, Veda Capital, Shenwan Hongyuan or their respective professional advisers. The Independent Shareholders should consult their own professional advisers for professional advice.
- (l) The English text of this Composite Document and the Form of Acceptance shall prevail over their respective Chinese text for the purpose of interpretation in case of inconsistency.

1. FINANCIAL SUMMARY

Set out below is a summary of the financial results of the Group for each of the years ended 31 December 2014, 2015 and 2016 as extracted from the published annual report of the Company for the year ended 31 December 2016 and Appendix I – Accountant’s Report in the prospectus of the Company dated 20 May 2016 (the “**Prospectus**”) and for the nine months ended 30 September 2017 as extracted from the published third quarterly report of the Group.

	For the nine months ended 30 September 2017 <i>HK’000</i> (Unaudited)	For the year ended 31 December 2016 <i>HK’000</i> (Audited)	2015 <i>HK’000</i> (Audited)	2014 <i>HK’000</i> (Audited)
Revenue	157,033	241,389	302,672	243,742
(Loss)/profit before taxation	(5,873)	(13,009)	9,287	11,354
Income tax expense	(30)	(662)	(2,851)	(2,950)
(Loss)/profit for the period/year	<u>(5,903)</u>	<u>(13,671)</u>	<u>6,436</u>	<u>8,404</u>
Attributable to:				
Owners of the Company	(5,903)	(13,671)	6,436	8,406
Non-controlling interests	–	–	–	(2)
(Loss)/earnings per share:				
– Basic (<i>HK cents</i>)	(1.23)	(3.17)	1.79	2.34
– Diluted (<i>HK cents</i>)	–	–	–	–
Dividend per Share (<i>HK cents</i>) (<i>Note</i>)	–	–	–	–

Note: No dividend has been paid or declared by the Company since its date of incorporation prior to the Group reorganisation on 20 August 2015. A subsidiary of the Group had declared dividends of HK\$26,000,000 to its then equity owner during the year ended 31 December 2014.

The auditors of the Company, Deloitte Touche Tohmatsu, did not issue any qualified or modified opinion (including emphasis of matter, adverse opinion and disclaimer of opinion) on the respective financial statements of the Group for the three years ended 31 December 2016, and the Company had no items which are exceptional or extraordinary because of size, nature or incidence for the same financial years.

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Set out below is the audited consolidated financial statements of the Group extracted from the annual report of the Company for the year ended 31 December 2016.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2016

		2016	2015
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	5	241,389	302,672
Cost of sales		<u>(216,804)</u>	<u>(261,474)</u>
Gross profit		24,585	41,198
Other income	6	6,658	2,733
Other expenses	7	(4,438)	(1,784)
Other gains and losses	8	(212)	(35)
Selling and distribution expenses		(10,237)	(7,453)
Administrative expenses		(19,177)	(16,920)
Listing expenses		(9,263)	(7,285)
Finance costs	9	<u>(925)</u>	<u>(1,167)</u>
(Loss) profit before taxation		(13,009)	9,287
Income tax expense	10	<u>(662)</u>	<u>(2,851)</u>
(Loss) profit for the year	11	(13,671)	6,436
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<u>108</u>	<u>193</u>
Total comprehensive (expense) income for the year		<u>(13,563)</u>	<u>6,629</u>
(Loss) earnings per share			
– basic (HK cents)	14	<u>(3.17)</u>	<u>1.79</u>

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP****CONSOLIDATED STATEMENT OF FINANCIAL POSITION***At 31 December 2016*

	NOTES	2016 HK\$'000	2015 HK\$'000
NON CURRENT ASSETS			
Property, plant and equipment	15	2,451	2,747
Rental deposits		<u>113</u>	<u>306</u>
		<u>2,564</u>	<u>3,053</u>
CURRENT ASSETS			
Trade and bills receivables	16	35,583	55,807
Prepayments and deposits	16	7,533	2,288
Amount due from a director	17	–	21,266
Tax recoverable		3,205	–
Pledged bank deposits	18	18,148	2,134
Bank balances and cash	18	<u>49,175</u>	<u>5,510</u>
		<u>113,644</u>	<u>87,005</u>
CURRENT LIABILITIES			
Trade and other payables	19	23,629	45,576
Amount due to a director	17	–	109
Tax payable		370	370
Bank borrowings – due within one year	20	<u>38,136</u>	<u>27,750</u>
		<u>62,135</u>	<u>73,805</u>
NET CURRENT ASSETS		<u>51,509</u>	<u>13,200</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>54,073</u>	<u>16,253</u>
NON CURRENT LIABILITIES			
Bank borrowings – due after one year	20	153	461
Deferred tax liability	21	<u>–</u>	<u>26</u>
		<u>153</u>	<u>487</u>
NET ASSETS		<u><u>53,920</u></u>	<u><u>15,766</u></u>
CAPITAL AND RESERVES			
Share capital	22	4,800	–
Reserves		<u>49,120</u>	<u>15,766</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u><u>53,920</u></u>	<u><u>15,766</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2016

	Attributable to owners of the Company						
	Share	Share	Translation	Capital	Property	Retained	Total
	capital	premium	reserve	reserve	revaluation	profits	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Note)			
At 1 January 2015	10	–	8	(77)	847	8,349	9,137
Exchange differences arising on the translation of foreign operations	–	–	193	–	–	–	193
Profit for the year	–	–	–	–	–	6,436	6,436
Total comprehensive income for the year	–	–	193	–	–	6,436	6,629
Transfer upon disposal of investment properties	–	–	–	–	(847)	847	–
Reorganisation	(10)	–	–	10	–	–	–
At 31 December 2015	–	–	201	(67)	–	15,632	15,766
Exchange differences arising on the translation of foreign operations	–	–	108	–	–	–	108
Loss for the year	–	–	–	–	–	(13,671)	(13,671)
Total comprehensive income (expense) for the year	–	–	108	–	–	(13,671)	(13,563)
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	–	(8,283)	–	–	–	–	(8,283)
At 31 December 2016	4,800	46,917	309	(67)	–	1,961	53,920

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.

CONSOLIDATED STATEMENT OF CASH FLOWS*For the year ended 31 December 2016*

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
OPERATING ACTIVITIES		
(Loss) profit before taxation	(13,009)	9,287
Adjustments for:		
Depreciation of property, plant and equipment	1,003	896
Finance costs	925	1,167
Interest income	(45)	(8)
Loss on disposal of property, plant and equipment	–	444
Change in fair value of investment properties	–	(400)
Allowance for doubtful debts	<u>262</u>	<u>–</u>
Operating cash flows before movements in working capital	(10,864)	11,386
Decrease (increase) in rental deposits	193	(206)
Increase in trade and bills receivables	(40,469)	(29,421)
Increase in prepayments and deposits	(5,245)	(1,142)
(Decrease) increase in trade and other payables	<u>(21,947)</u>	<u>16,143</u>
Cash used in operations	(78,332)	(3,240)
Income tax paid	<u>(3,876)</u>	<u>(2,963)</u>
NET CASH USED IN OPERATING ACTIVITIES	<u>(82,208)</u>	<u>(6,203)</u>
INVESTING ACTIVITIES		
Placement of pledged bank deposits	(40,014)	(18,005)
Purchase of property, plant and equipment	(761)	(1,246)
Advance to a director	–	(5,354)
Repayment from a director of a subsidiary	–	5,830
Proceed from disposal of investment properties	–	6,200
Interest received	45	8
Repayment from a director	21,266	1,229
Withdrawal of pledged bank deposits	<u>24,000</u>	<u>17,000</u>
NET CASH FROM INVESTING ACTIVITIES	<u>4,536</u>	<u>5,662</u>

APPENDIX II**FINANCIAL INFORMATION OF THE GROUP**

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
FINANCING ACTIVITIES		
New bank loans raised	156,142	90,755
Proceed from issue of shares	60,000	–
Advance from a director	–	109
Repayment to a director of a subsidiary	–	(5,830)
Repayment to a director	(109)	–
Interest paid	(925)	(1,167)
Transaction costs on issue of shares	(8,283)	–
Repayment of bank loans	<u>(85,633)</u>	<u>(80,878)</u>
NET CASH FROM FINANCING ACTIVITIES	<u>121,192</u>	<u>2,989</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	43,520	2,448
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	5,510	2,866
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	<u>145</u>	<u>196</u>
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	<u><u>49,175</u></u>	<u><u>5,510</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2016

1. GROUP INFORMATION AND BASIS OF PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 “Reorganisation”) and are controlled by the Controlling Shareholder before and after the 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 (“Tin Da”), were controlled and owned by Ever Sound International Limited (“Ever Sound”), a company wholly-owned by the Controlling Shareholder, which does not form part of the Group. On 9 January 2015, United Acme Limited (“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.

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 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 consolidated financial statements have been prepared as if the Company had always been the holding company of the Group.

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 ended 31 December 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 year ended 31 December 2015, or since their respective dates of incorporation/establishment, where it is a shorter period.

The 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 consolidated financial statements in HK\$ is preferable as the Company listed its shares on the Stock Exchange and most of its investors are located in Hong Kong.

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

Amendments to HKFRSs that are mandatorily effective for the current year

The Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time in the current year:

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 HKFRS 10, HKFRS 12 and HKAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to HKFRSs	Annual Improvements to HKFRSs 2012-2014 Cycle

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

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 9	Financial Instruments ¹
HKFRS 15	Revenue from Contracts with Customers and the related Amendments ¹
HKFRS 16	Leases ²
Amendments to HKFRS 2	Classification and Measurement of Share- based Payment Transactions ¹
Amendments to HKFRS 4	Applying HKFRS 9 <i>Financial Instruments</i> with HKFRS 4 <i>Insurance Contracts</i> ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 7	Disclosure Initiative ⁴
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses ⁴

¹ Effective for annual periods beginning on or after 1 January 2018.

² Effective for annual periods beginning on or after 1 January 2019.

³ Effective for annual periods beginning on or after a date to be determined.

⁴ Effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 *Financial Instruments*

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are:

- all recognised financial assets that are within the scope of HKFRS 9 are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally

measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- in relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Based on the Group's financial instruments and risk management policies as at 31 December 2016, the directors of the Company do not anticipate that the application of HKFRS 9 in the future will have a material impact on the Group's consolidated financial statements.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 *Revenue*, HKAS 11 *Construction Contracts* and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when ‘control’ of the goods or services underlying the particular performance obligation is transferred to the customer.

Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future may result in more disclosures, however, the directors of the Company do not anticipate that the application of HKFRS 15 will have a material impact on the timing and amounts of revenue recognised in the respective reporting periods.

HKFRS 16 *Leases*

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 *Leases* and the related interpretations when it becomes effective.

HKFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents the operating lease payments as operating cash flows. Under HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

In contrast to lessee accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by HKFRS 16.

As at 31 December 2016, the Group has non-cancellable operating lease commitments of approximately HK\$2,202,000 as disclosed in note 23. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result changes in measurement, presentation and disclosure as indicated above. However, it is not practicable to provide a reasonable estimate of the financial effect until the directors of the Company complete a detailed review.

Amendments to HKAS 7 Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes. Specially, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 January 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application. The directors of the Company do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

The directors of the Company anticipate that the application of other new and amendments to the standards will have no material impact on the financial performance and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristic of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are within the scope of HKAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

In addition, for financial reporting purpose, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins with 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 cease to control the subsidiary.

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

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

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable.

Revenue is recognised when the amount of revenue can be reliably measured; when it is probable that future economic benefit will flow to the Group and when specific criteria have been met for each of the Group's activities, as described below.

The Group utilise third parties to manufacture and distribute its products. Revenue from the sale of goods is recognised when the goods are delivered and titles have passed upon delivery on board the vessel.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

The Group's accounting policy for recognition of revenue from operating leases is described in the accounting policy for leasing below.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. 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 recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, (i) the assets and liabilities of the Group's foreign operations are translated into US\$; and (ii) the assets and liabilities of the Group denominated or translated in US\$ are then translated into the presentation currency of the Group (i.e. HK\$) using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case, the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from amount as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's 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.

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 each 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 rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax assets and liabilities 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.

Current and deferred tax are recognised in profit or loss.

Retirement benefit costs

Payments to the defined contribution plans including the Mandatory Provident Fund Scheme and the People's Republic of China (the "PRC") state-managed retirement benefits schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Property, plant and equipment

Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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 asset and is recognised in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Financial assets

Financial assets of the Group are mainly classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees 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, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and bills receivables, amount due from a director, pledged bank deposits and bank balances and cash) are measured at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of financial assets below).

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected.

Objective evidence of impairment of financial assets could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the respective credit period, observable changes in national or local economic conditions that correlate with default on receivables.

The amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees 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 liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis.

Financial liabilities at amortised cost

Financial liabilities (including trade and other payables, amount due to a director and bank borrowings) are subsequently measured at amortised cost, using the effective interest method.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the assets expire or, when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses

At the end of the reporting period, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

4. KEY SOURCE OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make 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 on-going 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.

Key source of estimation uncertainty

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

Estimated impairment loss of trade receivables

The Group makes impairment loss on trade receivables based on an assessment of the recoverability of the trade receivables. Impairment is applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. In determining whether an impairment of trade receivables is required, the Group takes into consideration of the credit history of the trade receivables including default or delay in payments, settlement records, subsequent settlements and ageing analysis of trade receivables. Where the expectation of the recoverability of trade receivables is different from the original estimate, such difference will impact the carrying value of trade receivables and allowance for doubtful debts in the period in which such estimate has changed. As at 31 December 2016, the carrying amounts of trade receivables are HK\$35,583,000 net of allowance for doubtful debts of HK\$262,000 (2015: HK\$55,807,000, net of allowance for doubtful debts of nil).

5. 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, which included all assets and all liabilities as stated in the consolidated statement of financial position respectively, and considers the segment revenue same as total sales made to external parties as disclosed in the consolidated statement of profit and loss and other comprehensive income, and the segment results of the Group represented the Group's (loss) profit before taxation, rental income, certain other gains and losses and listing expenses, as stated in the 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 HK\$'000
For the year ended 31 December 2016	
Segment revenue – external	<u>241,389</u>
Segment loss	(3,534)
Other gains and losses	(212)
Listing expenses	<u>(9,263)</u>
Loss before taxation	<u>(13,009)</u>
For the year ended 31 December 2015	
Segment revenue – external	<u>302,672</u>
Segment profit	16,511
Unallocated income	96
Other gains and losses	(35)
Listing expenses	<u>(7,285)</u>
Profit before taxation	<u>9,287</u>

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 3.

Segment assets

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

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Total segment assets	<u>116,208</u>	<u>90,058</u>

Revenue from major products

The Group's revenue from its products were as follows:

	Year ended 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Men's footwear	140,589	201,576
Children's footwear	71,554	84,439
Women's footwear	<u>29,246</u>	<u>16,657</u>
	<u>241,389</u>	<u>302,672</u>

Geographical information

The Group's operations are located in Hong Kong and the PRC.

Information about the Group's revenue from external customers presented based on the geographical locations of the shipment destinations, irrespective of the origin of the goods, is detailed below:

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Australia	99,250	110,345
United Kingdom	58,134	85,020
Chile	11,483	17,598
New Zealand	10,752	10,698
United States	9,799	9,722
Belgium	8,900	11,738
United Arab Emirates	5,890	7,582
Others*	<u>37,181</u>	<u>49,969</u>
	<u>241,389</u>	<u>302,672</u>

* The revenue from individual country included in "Others" did not contribute over 10% of the total revenue of the Group for the relevant year.

Information about the Group's non-current assets is presented based on the geographical location of the assets:

	As at 31 December	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong	1,342	1,952
PRC	<u>1,222</u>	<u>1,101</u>
	<u>2,564</u>	<u>3,053</u>

Information about major customers

Revenue from customers of the corresponding years individually contributing over 10% of the Group's revenue are as follows:

	Year ended 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	50,988	67,511
Customer B	<u>96,006</u>	<u>92,293</u>

6. OTHER INCOME

	Year ended 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Claims received (<i>Note</i>)	2,914	1,594
Sample income	3,422	791
Accessory procurement income	91	21
Rental income from investment properties	–	96
Interest income	45	8
Miscellaneous income	<u>186</u>	<u>223</u>
	<u>6,658</u>	<u>2,733</u>

Note: Claims received represent compensations received from customers due to cancellation of orders or from suppliers for sub-quality products, based on contract terms.

7. OTHER EXPENSES

	Year ended 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Claims paid (<i>Note</i>)	4,037	1,708
Donation	<u>401</u>	<u>76</u>
	<u>4,438</u>	<u>1,784</u>

Note: Claims paid represent compensations paid to suppliers for cancellation of orders or to customers for sub-quality products, based on contract terms.

8. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Change in fair value of investment properties	–	400
Loss on disposal of property, plant and equipment	–	(444)
Net foreign exchange gains	50	9
Allowance for doubtful debts on trade receivables	<u>(262)</u>	<u>–</u>
	<u>(212)</u>	<u>(35)</u>

9. FINANCE COSTS

	Year ended 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank borrowings	<u>925</u>	<u>1,167</u>

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Hong Kong Profits Tax (<i>note i</i>)		
– current year	–	3,121
– under (over) provision in prior years	63	(305)
PRC Enterprise Income Tax (“EIT”) (<i>note ii</i>)		
– current year	625	377
Deferred tax (<i>note 21</i>)	<u>(26)</u>	<u>(342)</u>
	<u>662</u>	<u>2,851</u>

Notes:

(i) Hong Kong

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group had no assessable profit for the year ended 31 December 2016.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the year ended 31 December 2015.

(ii) PRC

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

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

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
(Loss) profit before taxation	<u>(13,009)</u>	<u>9,287</u>
Tax at Hong Kong Profits tax rate of 16.5% (<i>Note</i>)	(2,146)	1,532
Tax effect of expenses not deductible for tax purposes	2,153	1,626
Tax effect of income not taxable for tax purposes	(4)	(67)
Effect of different tax rate of subsidiary operating in other jurisdiction	212	129
Under(over)provision in prior years	63	(305)
Tax effect of tax losses not recognised	384	–
Utilisation of tax losses previously not recognised	<u>–</u>	<u>(64)</u>
Income tax expense for the year	<u><u>662</u></u>	<u><u>2,851</u></u>

Note: The income tax rate in the jurisdiction where the operations of the Group substantially based is used.

11. (LOSS) PROFIT FOR THE YEAR

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
(Loss) profit and total comprehensive (expense) income for the year has been arrived at after charging (crediting):		
Directors' remuneration	3,680	4,216
Other staff costs (excluding directors' remuneration):		
– Salaries and other benefits	13,526	12,382
– Retirement benefit scheme contributions	<u>1,460</u>	<u>1,278</u>
Total staff costs	<u>18,666</u>	<u>17,876</u>
Auditor's remuneration	2,229	1,374
Depreciation of property, plant and equipment	1,003	896
Cost of inventories recognised as an expense	216,804	261,474
Gross rental income from investment properties	–	(96)
Less: direct operating expenses incurred for investment properties that generated rented income	<u>–</u>	<u>14</u>
	<u>–</u>	<u>(82)</u>
Operating lease rental expense in respect of rented premises	<u>1,269</u>	<u>1,390</u>

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

(a) Directors' and the chief executive's emoluments

Details of the emoluments paid or payable (including emoluments for the services as employees of the group entities prior to becoming directors of the Company) to the individuals during the years ended 31 December 2016 and 2015 are as follows:

Name of director	Fee	Salaries and other benefits	Retirement benefit scheme contributions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended				
31 December 2016				
<i>Executive directors</i>				
Mr. Ho Kin Wai				
(Chief executive)	1,540	1,336	18	2,894
Mr. Ho Kin Pong	406	176	18	600
<i>Independent non-executive directors</i>				
Mr. Yuen Poi Lam William				
(Appointed on 11 May 2016)	106	–	–	106
Mr. Lu Tak Ming				
(Appointed on 11 May 2016)	44	–	–	44
Mr. Lee Tat Yin Rick				
(Appointed on 11 May 2016 and resigned on 5 December 2016)	31	–	–	31
Mr. Liu Chun Kit				
(Appointed on 5 December 2016)	5	–	–	5
	<u>2,132</u>	<u>1,512</u>	<u>36</u>	<u>3,680</u>

Name of director	Fee	Salaries and other benefits	Incentive performance bonus	Retirement benefit scheme	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
For the year ended					
31 December 2015					
<i>Executive directors</i>					
Mr. Ho Kin Wai					
(Chief executive)	1,560	–	2,175	18	3,753
Mr. Ho Kin Pong	–	445	–	18	463
	<u>1,560</u>	<u>445</u>	<u>2,175</u>	<u>36</u>	<u>4,216</u>

Mr. Ho Kin Wai and Mr. Ho Kin Pong were appointed as the executive directors of the Company on 18 September 2015. 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 independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Mr. Ho Kin Wai is also the chief executive of the Company and his emoluments disclosed above include those for services rendered by him as the chief executive.

Incentive performance bonus was determined with reference to the Group's revenue, operating results, individual performance and comparable market statistics.

(b) Employees' emoluments

The five highest paid individuals of the Group include one director (2015: one director). The emoluments of the remaining four (2015: four) individuals are as follows:

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Salaries and other benefits	2,804	2,504
Incentive performance bonus	735	280
Retirement benefit scheme contributions	<u>71</u>	<u>112</u>
	<u>3,610</u>	<u>2,896</u>

The emoluments of the employees were within the following bands:

	As at 31 December	
	2016	2015
	<i>Number of</i>	<i>Number of</i>
	<i>employees</i>	<i>employees</i>
Up to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	<u>2</u>	<u>1</u>
	<u><u>4</u></u>	<u><u>4</u></u>

During the years ended 31 December 2016 and 2015, no emoluments were paid by the Group to any of the directors or the chief executive of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors or the chief executive of the Company waived any emoluments during the years ended 31 December 2016 and 2015.

13. DIVIDEND

No dividend was paid or proposed for the shareholders of the Company during the years ended 31 December 2016 and 2015, nor has any dividend been proposed since the end of the reporting period.

14. (LOSS) EARNINGS PER SHARE

	Year ended 31 December	
	2016	2015
	<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 year		
attributable to owners of the Company)	<u>(13,671)</u>	<u>6,436</u>

	Year ended 31 December	
	2016	2015
	'000	'000
Number of shares:		
Weighted average number of ordinary shares		
for the purpose of calculating basic (loss)		
earnings per share	<u>430,820</u>	<u>360,000</u>

The number of ordinary shares for the purpose of calculating basic (loss) earnings per share for the years ended 31 December 2016 and 2015 was 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) earnings per share is presented for both years as there were no potential ordinary share in issue during both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Furniture and office equipment <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 January 2015	856	3,309	534	4,699
Additions	1,051	–	195	1,246
Disposals	(856)	–	(93)	(949)
Exchange realignment	<u>(51)</u>	<u>–</u>	<u>(24)</u>	<u>(75)</u>
At 31 December 2015	1,000	3,309	612	4,921
Additions	35	310	416	761
Exchange realignment	<u>(51)</u>	<u>(2)</u>	<u>(29)</u>	<u>(82)</u>
At 31 December 2016	<u><u>984</u></u>	<u><u>3,617</u></u>	<u><u>999</u></u>	<u><u>5,600</u></u>
DEPRECIATION				
At 1 January 2015	382	1,168	251	1,801
Provided for the year	183	590	123	896
Eliminated on disposals	(433)	–	(72)	(505)
Exchange realignment	<u>(2)</u>	<u>–</u>	<u>(16)</u>	<u>(18)</u>
At 31 December 2015	130	1,758	286	2,174
Provided for the year	253	610	140	1,003
Exchange realignment	<u>(9)</u>	<u>(1)</u>	<u>(18)</u>	<u>(28)</u>
At 31 December 2016	<u><u>374</u></u>	<u><u>2,367</u></u>	<u><u>408</u></u>	<u><u>3,149</u></u>
CARRYING VALUES				
At 31 December 2016	<u><u>610</u></u>	<u><u>1,250</u></u>	<u><u>591</u></u>	<u><u>2,451</u></u>
At 31 December 2015	<u><u>870</u></u>	<u><u>1,551</u></u>	<u><u>326</u></u>	<u><u>2,747</u></u>

The above items of property, plant and equipment are depreciated on a straight-line basis as follows:

Leasehold improvement	Over the shorter of the relevant lease or 5 years
Motor vehicles	20% per annum
Furniture and office equipment	10-50% per annum

16. TRADE AND BILLS RECEIVABLES/PREPAYMENTS AND DEPOSITS

	As at 31 December	
	2016	2015
	HK\$'000	HK\$'000
Trade and bills receivables	18,843	47,086
Trade receivables discounted with recourse	<u>16,740</u>	<u>8,721</u>
	<u>35,583</u>	<u>55,807</u>
Prepayments	7,476	2,201
Others	<u>57</u>	<u>87</u>
	<u>7,533</u>	<u>2,288</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 net of allowance for doubtful debts presented based on the invoice dates at the end of the reporting period, which approximate the revenue recognition dates:

	As at 31 December	
	2016	2015
	HK\$'000	HK\$'000
0 to 30 days	19,639	29,014
31 to 60 days	13,652	23,661
61 to 90 days	1,470	2,624
Over 90 days	<u>822</u>	<u>508</u>
	<u>35,583</u>	<u>55,807</u>

Before accepting any new customer, the Group assess the potential customer's credit quality and defines credit limits by customer. Credit limits attributed to customers and credit term granted to customers are reviewed regularly. The majority of the trade receivables that are neither past due nor impaired have no history of defaulting on repayments.

Included in the Group's trade receivables balance are debtors with aggregate carrying amount of approximately HK\$4,406,000 (2015: HK\$3,130,000) which were past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considered such balances could be recovered based on historical experience. The Group does not hold any collateral over these balances.

The following is an aged analysis of trade receivables which are past due but not impaired at the end of the reporting period:

	As at 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Overdue by:		
1 to 30 days	3,584	2,624
31 to 60 days	–	219
Over 60 days	<u>822</u>	<u>287</u>
	<u><u>4,406</u></u>	<u><u>3,130</u></u>

Movement in the allowance of doubtful debts:

	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the year	–	–
Impairment loss recognised	<u>262</u>	<u>–</u>
Balance at end of the year	<u><u>262</u></u>	<u><u>–</u></u>

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK\$262,000 (31 December 2015: nil) which are in financial difficulties in repaying the outstanding balances. Based on historical experience, these overdue balances are normally not recoverable.

Transfer of financial assets

The following were the Group's financial assets that were transferred to banks by discounting those receivables on a recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured borrowing (see note 20). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	Trade receivables discounted to a bank with recourse HK\$'000	Total HK\$'000
As at 31 December 2016		
Carrying amount of transferred assets	16,740	16,740
Carrying amount of associated liabilities	<u>(14,215)</u>	<u>(14,215)</u>
Net position	<u><u>2,525</u></u>	<u><u>2,525</u></u>
As at 31 December 2015		
Carrying amount of transferred assets	8,721	8,721
Carrying amount of associated liabilities	<u>(7,849)</u>	<u>(7,849)</u>
Net position	<u><u>872</u></u>	<u><u>872</u></u>

17. AMOUNT DUE FROM (TO) A DIRECTOR

		As at 31 December	
		2016	2015
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Amount due from:			
A director	(i)	<u><u>–</u></u>	<u><u>21,266</u></u>
Amount due to:			
A director	(ii)	<u><u>–</u></u>	<u><u>(109)</u></u>

(i) Details of amount due from a director are as follows:

Name of director	As at 31 December		Maximum amount outstanding during Year ended 31 December	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Mr. Ho Kin Wai	<u>–</u>	<u>21,266</u>	<u>21,266</u>	<u>21,668</u>

The amount due from a director was non-trade in nature, unsecured, non-interest bearing and fully settled during the year ended 31 December 2016.

(ii) Details of amount due to a director are as follows:

Name of director	As at 31 December	
	2016	2015
	HK\$'000	HK\$'000
Mr. Ho Kin Wai	<u>–</u>	<u>(109)</u>

The amount due to a director was unsecured, non-interest bearing and fully settled during the year ended 31 December 2016.

18. PLEDGED BANK DEPOSITS/BANK BALANCES AND CASH

Pledged bank deposits

Pledged bank deposits of the Group have been pledged to secure short-term banking facilities granted to the Group.

The pledged bank deposits carry interest at prevailing market rates which range from 0.01% to 0.44% (2015: 0.01% to 0.18%) per annum.

Bank balances and cash

Bank balances carry interest at prevailing market rates which range from 0.01% to 0.25% (2015: 0.01% to 0.35%) per annum.

Pledged bank deposits and bank balances and cash denominated in currencies other than the functional currency of the relevant group entities are set out below:

	As at 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK\$	<u>62,939</u>	<u>3,392</u>

19. TRADE AND OTHER PAYABLES

	As at 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	15,249	39,446
Receipt in advance from customers	1,173	313
Accrued staff salaries	3,251	4,030
Accrued expenses	2,824	847
Other tax payables	58	66
Others	<u>1,074</u>	<u>874</u>
	<u>23,629</u>	<u>45,576</u>

The credit period on purchase of goods varies from 20 days to 45 days. The ageing analysis of the trade payables presented based on the invoice dates at the end of the reporting period is as follows:

	As at 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 – 30 days	13,312	25,368
31 – 60 days	1,838	11,130
61 – 90 days	98	2,868
Over 90 days	<u>1</u>	<u>80</u>
	<u>15,249</u>	<u>39,446</u>

Trade and other payables denominated in currencies other than the functional currency of the relevant group entities are set out below.

	As at 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Renminbi (“RMB”)	<u>47</u>	<u>–</u>

20. BANK BORROWINGS

	As at 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank borrowings		
Secured bank borrowings		
– Variable rate	32,523	20,077
– Fixed rate	<u>5,766</u>	<u>8,134</u>
	<u>38,289</u>	<u>28,211</u>

	As at 31 December	
	2016	2015
	HK\$'000	HK\$'000
Carrying amount of bank borrowings based on scheduled repayment dates set out in the loan agreements:		
Within one year	308	308
More than one year, but not exceeding two years	153	308
More than two years, but not more than five years	<u>—</u>	<u>153</u>
	461	769
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) with schedule repayment dates set out in the loan agreements:		
Within one year	<u>37,828</u>	<u>27,442</u>
	38,289	28,211
Less: Amount shown under current liabilities	<u>(38,136)</u>	<u>(27,750)</u>
	<u>153</u>	<u>461</u>

The fixed rate bank borrowings as at 31 December 2016 carry interests ranging from 3.5% to 5.5% (2015: 2.5% to 5.5%) per annum.

The variable rate bank borrowings as at 31 December 2016 carry interests at a premium over Hong Kong Interbank Offered Rate. The effective interest rates on bank borrowings range from 2.30% to 3.01% (2015: 2.25% to 3.04%) per annum.

Bank borrowings denominated in currencies other than the functional currencies of the relevant group entities are set out below:

	As at 31 December	
	2016	2015
	HK\$'000	HK\$'000
HK\$	<u>—</u>	<u>2,030</u>

The bank borrowings as at 31 December 2016 were secured by:

- pledged bank deposits of HK\$18,148,000 (2015: HK\$2,134,000).
- trade receivables of approximately HK\$16,740,000 (2015: HK\$8,721,000).
- a motor vehicle with carrying value of approximately HK\$966,000 (2015: HK\$1,411,000).

The bank borrowings as at 31 December 2015 were also secured by:

- unlimited guarantees from the Controlling Shareholder, father and mother of the Controlling Shareholder (without charging any guarantee fee).
- legal charge over a property owned by the Controlling Shareholder and father of the Controlling Shareholder.

21. DEFERRED TAX LIABILITY

The following is the deferred tax liability recognised and movements thereon during the years ended 31 December 2016 and 2015:

	Accelerated tax depreciation HK\$'000
At 1 January 2015	368
Credit to profit or loss	<u>(342)</u>
At 31 December 2015	26
Credit to profit or loss	<u>(26)</u>
At 31 December 2016	<u><u>–</u></u>

As at 31 December 2016, the Group had unused tax losses of approximately HK\$2,327,000 (2015: nil). No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profit streams and the unused tax losses may be carried forward indefinitely.

22. 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>)	<u>962,000,000</u>	<u>9,620</u>
At 31 December 2016	<u><u>1,000,000,000</u></u>	<u><u>10,000</u></u>
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>)	<u>999</u>	<u>–</u>
At 31 December 2015 of HK\$0.01 each	1,000	–
Issue of new shares (<i>Note c</i>)	<u>479,999,000</u>	<u>4,800</u>
At 31 December 2016 of HK\$0.01 each	<u><u>480,000,000</u></u>	<u><u>4,800</u></u>

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 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 year ended 31 December 2016 ranked *pari passu* in all respects with the then existing shares in issue.

23. OPERATING LEASES**The Group as lessee**

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	As at 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	1,190	1,170
In the second to fifth years inclusive	<u>1,012</u>	<u>2,066</u>
	<u><u>2,202</u></u>	<u><u>3,236</u></u>

Operating lease payments represent rentals payable by the Group for certain of its office premises.

Leases are negotiated for one to five years and rentals are fixed over the respective leases.

24. RETIREMENT BENEFIT SCHEMES

For employees of the Group in Hong Kong, the Group participates in a defined contribution scheme which is registered under the Mandatory Provident Fund Scheme (the “MPF Scheme”) established under the Mandatory Provident Fund Ordinance in December 2000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

For members of the MPF Scheme, the Group contributes the lower of HK\$1,500 or 5% of relevant payroll costs per person to the MPF Scheme, which contribution is matched by the employees.

The employees of the Group in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The Company’s subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit schemes to fund the benefits.

The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions. During the year ended 31 December 2016, the total amounts contributed by the Group to the schemes and costs charged to the profit or loss represents contributions paid or payable to the schemes by the Group at rates specified in the rules of the schemes. The retirement benefits scheme contributions made by the Group amounted to HK\$1,496,000 (2015: HK\$1,314,000) during the year ended 31 December 2016.

25. RELATED PARTY DISCLOSURES

(a) Related party balances

Details of the outstanding balances with related parties are set out in the consolidated statements of financial position and in note 17.

(b) Related party transaction

The Group entered into the following transaction with a related party:

Name of related party	Nature of transaction	Year ended 31 December	
		2016	2015
		HK\$'000	HK\$'000
Mr. Ho Kin Wai	Commission expense	<u>–</u>	<u>1,875</u>

(c) Compensation of the directors and other key management personnel

	Year ended 31 December	
	2016	2015
	HK\$'000	HK\$'000
Fees, salaries and other allowances	5,722	4,141
Incentive performance bonus	535	2,175
Retirement benefit scheme contributions	<u>90</u>	<u>75</u>
Total	<u>6,347</u>	<u>6,391</u>

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

(d) Guarantee and pledge of assets

Details of the guarantee and pledge of assets from the Controlling Shareholder and the father and mother of the Controlling Shareholder are set out in note 20.

26. PLEDGE OF ASSETS

At the end of each reporting period, the following assets were pledged to banks to secure the banking facilities:

	As at 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	966	1,411
Pledged bank deposits	<u>18,148</u>	<u>2,134</u>
	<u>19,114</u>	<u>3,545</u>

As at 31 December 2016, trade receivables discounted with recourse amounted to HK\$16,740,000 (2015: HK\$8,721,000).

27. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies 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 overall strategy remains unchanged throughout the year ended 31 December 2016.

The capital structure of the Group consists of net debt, which includes bank borrowings disclosed in note 20, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained profits and other reserves.

The management of the Group reviews the capital structure regularly. As part of this review, the directors of the Company consider the cost and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through issue of new debt and redemption of existing debts.

28. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments**

	As at 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Financial assets		
Loans and receivables (including cash and cash equivalents)	<u>102,906</u>	<u>84,717</u>
Financial liabilities		
Amortised cost	<u>53,585</u>	<u>67,976</u>

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, amount due from (to) a director, pledged bank deposits, bank balances and cash, trade and other payables and bank borrowings.

Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risks (currency 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.

Market risk***(i) Currency risk***

Certain bank balances, trade and bills receivables, trade and other payables, amount due from (to) a director, pledged bank deposits and bank borrowings of the Group are denominated in foreign currency of the respective group entities which are exposed to foreign currency risk.

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of each reporting period are as follows:

	As at 31 December	
	2016	2015
	HK\$'000	HK\$'000
Assets		
HK\$	62,939	24,657
RMB	<u>—</u>	<u>678</u>
Liabilities		
HK\$	—	2,178
RMB	<u>47</u>	<u>79</u>

Sensitivity analysis

The Group exposes foreign currency risk on fluctuation of RMB and HK\$ during the year ended 31 December 2016.

The following table details the Group's sensitivity to a 6% (2015: 6%) increase or decrease in the exchange rate of RMB against US\$. The percentage is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis does not include outstanding monetary items denominated in HK\$ as the management of the Group considers that the Group's exposure to HK\$ is insignificant on the ground that HK\$ is pegged to US\$. The sensitivity analysis adjusts their translation at the year end for a 6% (2015: 6%) in foreign currency rates. A negative/positive number below indicates an increase in post-tax (loss) profit where RMB strengthens 6% (2015: 6%) against US\$. For a weakening RMB against US\$, there would be an equal and opposite impact on the post-tax (loss) profit.

	As at 31 December	
	2016	2015
	HK\$'000	HK\$'000
RMB	<u>(3)</u>	<u>31</u>

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the years ended 31 December 2016 and 2015.

(ii) Interest rate risk

The Group's is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings. The Group currently does not have an interest rate hedging policy.

The Group is also exposed to cash flow interest rate risk in relation to floating-rate bank balances and bank borrowings at variable interest rates.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note. The Group's cash flow interest rate risk is mainly concentrated on the fluctuations of the Hong Kong Interbank Offered Rate.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to bank interest rates. The analysis is prepared assuming the interest-bearing bank borrowings outstanding at the end of each reporting period were outstanding for the whole year. A 100 basis points (2015: 100 basis points) increase or decrease in the interest rate is used and represent management's assessment of the reasonably possible change in interest rates.

If interest rates on floating-rate interest-bearing bank borrowings had been 100 basis points higher/lower and all other variables were held constant, the Group's post-tax (loss) profit for the year ended 31 December 2016 would increase/decrease by HK\$272,000 (2015: HK\$168,000).

For the floating-rate interest-bearing bank balances, based on the sensitivity analysis, the management of the Group considers that the impact on profit or loss from changes in interest rates for the years ended 31 December 2016 and 2015 is insignificant.

Credit risk

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 of the Group.

The Group's credit risk is primarily attributable to its trade and bills receivables and amount due from a director. In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on pledged bank deposits and bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

As at 31 December 2016, the Group has concentration of credit risk as 68% (2015: 45%) of the total trade receivables was due from the Group's largest customer. The Group's concentration of credit risk on the top five largest customers accounted for 93% (2015: 91%) of the total trade receivables. The management of the Group considered that the credit risk of amounts due from these customers is insignificant after considering their historical settlement record, credit quality and financial positions.

In addition, the Group had concentration of credit risk on amount due from a director as at 31 December 2015. The amount due from a director has been fully settled during the year ended 31 December 2016.

Liquidity risk

In management of the liquidity risk, the Group monitors and maintains levels of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The following table details 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 loans 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 dates for other financial liabilities are based on the agreed repayment dates. The table includes 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.

*Liquidity tables***As at 31 December 2016**

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	4 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2016 HK\$'000
Non-derivative financial liabilities							
Trade and other payables	N/A	15,296	–	–	–	15,296	15,296
Bank borrowings							
– fixed rate	5.32	5,799	94	251	188	6,332	5,766
– variable rate	2.73	32,523	–	–	–	32,523	32,523
		<u>53,618</u>	<u>94</u>	<u>251</u>	<u>188</u>	<u>54,151</u>	<u>53,585</u>

As at 31 December 2015

	Weighted average effective interest rate %	Repayable on demand or less than 1 month HK\$'000	1 – 3 months HK\$'000	4 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at 31 December 2015 HK\$'000
Non-derivative financial liabilities							
Trade and other payables	N/A	39,656	–	–	–	39,656	39,656
Amount due to a director	N/A	109	–	–	–	109	109
Bank borrowings							
– fixed rate	4.92	7,397	94	251	564	8,306	8,134
– variable rate	2.52	20,077	–	–	–	20,077	20,077
		<u>67,239</u>	<u>94</u>	<u>251</u>	<u>564</u>	<u>68,148</u>	<u>67,976</u>

Bank borrowings with a repayment on demand clause are included in the “repayable on demand or less than 1 month” time band in the above maturity analysis. As at 31 December 2016, the aggregate carrying amounts of these bank borrowings amounted to approximately HK\$37,828,000 (2015: HK\$27,442,000). Taking into account of the Group’s financial position, the management of the Group does not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The management of the Group believes that such bank borrowings will be repaid within one year after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements. At that time, the aggregate principal and interest cash outflows are set out below:

	Less than 1 month HK\$'000	1 – 3 months HK\$'000	4 months to 1 year HK\$'000	1 – 5 years HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount HK\$'000
31 December 2016	11,050	27,030	–	–	38,080	37,828
31 December 2015	246	26,078	1,376	–	27,700	27,442

The amounts included above for variable rate instruments for non-derivative financial liabilities are subject to change if changes in variable rates differ to those estimates of interest rates determined at the end of the reporting period.

(c) Fair value

The fair value of financial assets and financial liabilities are determined in accordance with general accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

29. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2016, certain trade receivables of the Group were discounted with recourse to a bank. Accordingly, the bank directly received the contractually entitled cash flows of HK\$60,431,000 (2015: HK\$9,267,000) upon settlement of the discounted trade receivables from the Group’s debtors as settlement of the related bank borrowings granted to the Group.

30. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2016 and 2015 are as follows:

Name of subsidiary	Place and date of incorporation/ establishment	Place of operation	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group		Principal activities
				As of		
				31 December 2016	2015	
				%	%	
United Acme [#]	British Virgin Islands 9 January 2015	BVI	US\$4	100	100	Investment holding
Ever Smart 永駿國際企業有限公司	Hong Kong 6 August 2008	Hong Kong	HK\$1	100	100	Design, development, sourcing, marketing and sale of footwear
Ever Sky 天恒(香港)貿易有限公司	Hong Kong 3 December 2009	Hong Kong	HK\$1	100	100	Investment holding
Tin Da 東莞天達鞋業貿易有限公司*	The PRC 3 December 2010	The PRC	HK\$5,000,000	100	100	Design, development, and sourcing of footwear
Alliance	Hong Kong 2 August 2010	Hong Kong	HK\$10,000	100	100	Inactive
D&S	Hong Kong 5 December 2014	Hong Kong	HK\$1	100	100	Inactive

[#] Directly held by the Company

* Limited liability company established in the PRC

None of the subsidiaries had issued any debt securities at the end of the year.

31. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current Asset		
Investment in a subsidiary	<u>8,497</u>	<u>8,497</u>
Current Assets		
Prepayments and deposit	306	20
Bank balances	<u>43,166</u>	<u>–</u>
	<u>43,472</u>	<u>20</u>
Current Liabilities		
Trade and other payables	970	451
Amount due to a director	–	109
Amount due to a subsidiary	<u>5,020</u>	<u>2,387</u>
	<u>5,990</u>	<u>2,947</u>
Net Current Assets (Liabilities)	<u>37,482</u>	<u>(2,927)</u>
Total Assets less Current Liabilities	<u><u>45,979</u></u>	<u><u>5,570</u></u>
Capital and Reserves		
Share capital	4,800	–
Reserves (<i>Note</i>)	<u>41,179</u>	<u>5,570</u>
Total Equity	<u><u>45,979</u></u>	<u><u>5,570</u></u>

APPENDIX II

FINANCIAL INFORMATION OF THE GROUP

Note: The movements in the reserves of the Company are as follows:

	Share premium <i>HK\$'000</i>	Special reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 6 February 2015 (date of incorporation)	–	–	–	–
Loss for the period	–	–	(5,970)	(5,970)
Reorganisation	–	8,497	–	8,497
Deemed contribution from the sole shareholder	–	3,043	–	3,043
At 31 December 2015	–	11,540	(5,970)	5,570
Loss for the year	–	–	(11,308)	(11,308)
Issue of new shares	58,800	–	–	58,800
Issue of shares by capitalisation of share premium account	(3,600)	–	–	(3,600)
Transaction costs attributable to issue of new shares	(8,283)	–	–	(8,283)
At 31 December 2016	<u>46,917</u>	<u>11,540</u>	<u>(17,278)</u>	<u>41,179</u>

3. UNAUDITED FINANCIAL INFORMATION OF THE GROUP

Set out below is the unaudited consolidated financial statements of the Group extracted from the third quarterly report of the Company for the nine months ended 30 September 2017.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three and nine months ended 30 September 2017

		(Unaudited) Three months ended 30 September		(Unaudited) Nine months ended 30 September	
		2017	2016	2017	2016
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue	4	66,022	67,618	157,033	179,251
Cost of sales		<u>(58,677)</u>	<u>(60,300)</u>	<u>(140,671)</u>	<u>(160,115)</u>
Gross profit		7,345	7,318	16,362	19,136
Other income		1,125	3,620	2,432	6,069
Other expenses		(1,253)	(2,819)	(2,698)	(3,505)
Other gains and losses		54	6	53	44
Selling and distribution expenses		(2,616)	(2,475)	(8,271)	(6,751)
Administrative expenses		(4,213)	(4,779)	(12,997)	(12,431)
Listing expenses write back (charge)		–	496	–	(9,263)
Finance costs		<u>(253)</u>	<u>(210)</u>	<u>(754)</u>	<u>(638)</u>
Profit (loss) before taxation		189	1,157	(5,873)	(7,339)
Income tax expense	5	<u>(30)</u>	<u>(497)</u>	<u>(30)</u>	<u>(1,018)</u>
Profit (loss) for the period	6	159	660	(5,903)	(8,357)
Other comprehensive (expense) income:					
<i>Item that may be reclassified subsequently to profit or loss:</i>					
Exchange differences arising on translation of foreign operations		<u>(5)</u>	<u>(96)</u>	<u>(29)</u>	<u>48</u>
Total comprehensive income (expense) for the period		<u>154</u>	<u>564</u>	<u>(5,932)</u>	<u>(8,309)</u>
Earnings (loss) per share					
– Basic (HK cents)	8	<u>0.03</u>	<u>0.14</u>	<u>(1.23)</u>	<u>(2.02)</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the nine months ended 30 September 2017*

	Attributable to owners of the Company					Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Capital reserve HK\$'000	Retained profits (accumulated losses) HK\$'000	
At 1 January 2016 (Audited)	–	–	201	(67)	15,632	15,766
Exchange differences arising on the translation of foreign operations	–	–	48	–	–	48
Loss for the period	–	–	–	–	(8,357)	(8,357)
Total comprehensive income (expense) for the period	–	–	48	–	(8,357)	(8,309)
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	–	(8,283)	–	–	–	(8,283)
At 30 September 2016 (Unaudited)	<u>4,800</u>	<u>46,917</u>	<u>249</u>	<u>(67)</u>	<u>7,275</u>	<u>59,174</u>
At 1 January 2017 (Audited)	4,800	46,917	309	(67)	1,961	53,920
Exchange differences arising on the translation of foreign operations	–	–	(29)	–	–	(29)
Loss for the period	–	–	–	–	(5,903)	(5,903)
Total comprehensive expense for the period	–	–	(29)	–	(5,903)	(5,932)
At 30 September 2017 (Unaudited)	<u>4,800</u>	<u>46,917</u>	<u>280</u>	<u>(67)</u>	<u>(3,942)</u>	<u>47,988</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, Dodge & Swerve Limited and Alliance which have been transferred to capital reserve as part of the Group reorganisation during the year ended 31 December 2015.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the nine months ended 30 September 2017

1. GENERAL INFORMATION

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 the Group are design, development, sourcing, marketing and sale of footwear.

The unaudited 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. The management of the Group considers that presenting the unaudited 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 unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSS**”) 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 of the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

The unaudited 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 unaudited condensed consolidated financial statements for the nine months ended 30 September 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

For the nine months ended 30 September 2017, the Group has applied, for the first time, the following amendments to HKFRSs issued by the HKICPA that are relevant for the preparation of the Group's unaudited condensed consolidated financial statements.

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014 – 2016 Cycle

The application of the amendments to HKFRSs during the nine months ended 30 September 2017 has had no material effect on the amounts reported in these unaudited condensed consolidated financial statements and/or on the disclosure set out in these unaudited condensed consolidated financial statements.

4. REVENUE

The revenue of the Group arose from footwear design and development, production management (including quality control) and logistics management service.

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK'000	HK'000	HK'000	HK'000
Design, development, sourcing, marketing and sale of footwear	<u>66,022</u>	<u>67,618</u>	<u>157,033</u>	<u>179,251</u>

5. INCOME TAX EXPENSE

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong Profits Tax				
charge (<i>note i</i>)				
– current year	–	276	–	597
– underprovision in				
prior years	–	63	–	63
People's Republic of				
China (“PRC”)				
Enterprise Income				
Tax (“EIT”) charge				
(<i>note ii</i>)	30	162	30	381
Deferred tax credit	–	(4)	–	(23)
	<u>30</u>	<u>497</u>	<u>30</u>	<u>1,018</u>

Notes:

(i) Hong Kong

No provision of Hong Kong Profit Tax has been made in the unaudited condensed consolidated financial statements as the Group has no assessable profit for the nine months ended 30 September 2017.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the nine months ended 30 September 2016.

(ii) PRC

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for the subsidiary established in the PRC for the nine months ended 30 September 2017 and 2016, as determined in accordance with the relevant income tax rules and regulations in the PRC.

6. PROFIT (LOSS) FOR THE PERIOD

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Profit (loss) for the period has been arrived at after charging (crediting):				
Directors' remuneration	1,072	931	3,214	2,531
Other staff costs (excluding directors' remuneration)				
– Salaries, bonuses and other benefits	3,700	3,050	11,815	9,058
– Retirement benefit scheme contributions	<u>334</u>	<u>307</u>	<u>1,005</u>	<u>996</u>
Total staff costs	<u>5,106</u>	<u>4,288</u>	<u>16,034</u>	<u>12,585</u>
Depreciation of property, plant and equipment	302	254	826	723
Cost of inventories recognised as an expense	58,677	60,300	140,671	160,115
Operating lease minimum rental expense in respect of rental premises	385	238	1,018	880
Interest income	<u>(30)</u>	<u>(19)</u>	<u>(86)</u>	<u>(22)</u>

7. DIVIDEND

No dividends were paid, declared or proposed during the nine months ended 30 September 2017 and 2016. The directors of the Company do not recommend payment of dividend for the nine months ended 30 September 2017 (for the nine months ended 30 September 2016: Nil).

8. EARNINGS (LOSS) PER SHARE

	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Earnings (loss):				
Earnings (loss) for the purpose of calculating basic earnings (loss) per share (earnings (loss) for the period attributable to the owners of the Company)	<u>159</u>	<u>660</u>	<u>(5,903)</u>	<u>(8,357)</u>
	(Unaudited)		(Unaudited)	
	Three months ended		Nine months ended	
	30 September		30 September	
	2017	2016	2017	2016
	'000	'000	'000	'000
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic earnings (loss) per share	<u>480,000</u>	<u>480,000</u>	<u>480,000</u>	<u>414,307</u>

No diluted earnings (loss) per share is being presented for three months and nine months periods ended 30 September 2017 and 2016 as there is no potential ordinary share in issue during both periods.

4. INDEBTEDNESS**Secured and guaranteed bank borrowings**

As at
30 September
2017
HK\$ million

Total bank borrowings	<u>30.11</u>
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As at 30 September 2017, being the latest practicable date for the indebtedness statement, the Group had outstanding indebtedness of approximately HK\$30.11 million, comprising trust receipt loans of approximately HK\$24.23 million, factoring loan of approximately HK\$5.65 million, and hire purchase loan of approximately HK\$0.23 million. As at 30 September 2017, the Group's bank borrowings were secured by (i) pledged bank deposits; (ii) trade receivables; (iii) a motor vehicle owned by the Group; and (iv) corporate guarantee given by the Company and Ever Smart International Enterprise Limited.

Save as disclosed above and apart from intra-group balances, as at 30 September 2017, the Group did not have any other borrowings, term loans, mortgages, charges, debentures, or debt securities, issued or outstanding, or authorised or otherwise created but unissued, or other similar indebtedness, finance lease commitment, liabilities under acceptance, acceptance credits, hire purchase commitments, material contingent liabilities or guarantees.

5. MATERIAL CHANGE

Save for a loss of approximately HK\$5.9 million as disclosed in the third quarterly report of the Company for the nine months ended 30 September 2017, the Directors confirm that as at the Latest Practicable Date, there had been no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2016, being the date to which the last published audited consolidated financial statements of the Company were made up.

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than that relating to the Offeror, the directors of the Offeror, the proposed directors nominated by the Offeror to the Board, their associates and parties acting in concert with any of them, the terms and conditions of the Offers and the intention of the Offeror regarding the Group) and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than opinions expressed by the Offeror, the directors of the Offeror, the proposed directors nominated by the Offeror to the Board, their associates and parties acting in concert with any of them) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL OF THE COMPANY

As at the Latest Practicable Date, the authorised and issued share capital of the Company were as follows:

Authorised: HK\$

1,000,000,000	Shares of HK\$ 0.01 each	10,000,000.00
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Issued and fully paid:

480,000,000	Shares of HK\$ 0.01 each	4,800,000.00
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Save for the 480,000,000 Shares in issue, the Company did not have any outstanding options, warrants or derivatives or convertible rights affecting the Shares as at the Latest Practicable Date.

All Shares in issue rank *pari passu* in all respects with each other including rights to dividends, voting and return of capital. The Company has not issued any Shares since 31 December 2016, the date to which the latest published audited financial statements of the Group were made up, up to the Latest Practicable Date.

3. DISCLOSURE OF INTERESTS

Save as disclosed below, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) required, pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange:

(a) Long positions in the Shares or underlying shares of the Company

Name of director	Capacity	Number of Shares (Note)	Percentage shareholding in the same class of securities as at the Latest Practicable Date
Mr. Ho	Interest of controlled corporation	9,600,000 ordinary shares	2.00%

Note: These 9,600,000 shares are held by Asia Matrix. Mr. Ho beneficially owns 100% of the issued share capital of Asia Matrix. Mr. Ho is the executive Director.

(b) Long position in the ordinary shares of associated corporation

Name of directors	Name of associated corporation	Capacity	Number of share(s) held	Percentage of issued share capital
Mr. Ho	Asia Matrix	Beneficial owner	1	100%

Save as disclosed above, as at the Latest Practicable Date, 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.

(c) Interests disclosable under the SFO and substantial shareholders

As at the Latest Practicable Date, so far as known to any Director or chief executive of the Company, the following persons 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
The Offeror	Beneficial owner	350,400,000	73%
JIMUTIMES	Interest in a controlled corporation ^(Note)	350,400,000	73%
JIMU	Interest in a controlled corporation ^(Note)	350,400,000	73%

Note: The Offeror is owned as to 85% by JIMUTIMES which is in turn wholly-owned by JIMU. By virtue of the provisions of Part XV of the SFO, JIMUTIMES and JIMU are deemed to be interested in the Shares of the Company in which the Offeror is interested.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified 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.

4. DEALINGS IN SECURITIES

Save as disclosed in the Composite Document:

- (a) As at the Latest Practicable Date, the Company was not interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror, and had not dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Offeror during the Relevant Period.
- (b) As at the Latest Practicable Date, save as disclosed under the paragraph headed “3. DISCLOSURE OF INTERESTS” in this Appendix, none of the Directors was interested in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company or the Offeror. Save for the sale of the Sale Shares by the Vendor which is wholly owned by Mr. Ho under the Sale and Purchase Agreement, none of the Directors had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company or the Offeror during the Relevant Period.
- (c) As at the Latest Practicable Date, none of the subsidiaries of the Company, the pension fund of the Company or its subsidiaries, or the adviser to the Company as specified in class (2) of the definition of “associate” under the Takeovers Code owned or controlled any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company, or had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.
- (d) As at the Latest Practicable Date, there was no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code between any person and the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of “associate” under the Takeovers Code.
- (e) As at the Latest Practicable Date, there was no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which were managed on a discretionary basis by fund managers connected with the Company, and none of them had dealt in any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company during the Relevant Period.
- (f) As at the Latest Practicable Date, Asia Matrix (which is wholly owned by Mr. Ho) gave the Undertaking that it will not accept the Offer in respect of the remaining Shares of 9,600,000 held by it.
- (g) As at the Latest Practicable Date, none of the Company or the Directors had borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company.

5. ARRANGEMENTS AFFECTING AND RELATING TO DIRECTORS

- (a) As at Latest Practicable Date, no benefit had been or would be given to any Director as compensation for loss of office or otherwise in connection with the Offers.
- (b) As at the Latest Practicable Date, there was no agreement or arrangement between any Director and any other person which is conditional on or dependent upon the outcome of the Offers or otherwise connected with the Offers.
- (c) As at the Latest Practicable Date, save for the Sale and Purchase Agreement to which Mr. Ho is a party, the Offeror had not entered into any material contract in which any Director has a material personal interest.

6. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, the Company has entered into the following service contracts and letters of appointment with Directors:

Name of Directors	Commencement date of service contract/letter of appointment	Expiry date of service contract/letter of appointment	Fixed fee per annum
Ho Kin Wai (<i>Note</i>)	30 May 2016	29 May 2019	HK\$2,640,000
Ho Kin Pong (<i>Note</i>)	30 May 2016	29 May 2019	HK\$696,000
Yuen Poi Lam William	11 May 2016	10 May 2019	HK\$180,000
Lu Tak Ming	11 May 2016	10 May 2019	HK\$75,000
Liu Chun Kit	5 December 2016	4 December 2019	HK\$60,000

Note: Each of Mr. Ho Kin Wai and Mr. Ho Kin Pong, being an executive Director, may be entitled to, if so recommended by the remuneration committee of the Company and approved by the Board at its absolute discretion, a discretionary bonus, the amount of which is determined with reference to the operating results of the Group and the performance of the executive Director.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors had any service contracts with the Company or any of its subsidiaries or associated companies in force which:

- (a) (including both continuous and fixed term contracts) had been entered into or amended within six months before the commencement of the Offer Period;
- (b) were continuous contracts with a notice period of twelve months or more; or
- (c) were fixed term contracts with more than twelve months to run irrespective of the notice period.

None of the Directors had entered into any service contract or had an unexpired service contract with the Company which is not determinable by the Company within one year without payment of compensation (other than statutory compensation) as at the Latest Practicable Date.

7. MATERIAL CONTRACTS

The Group did not enter into any contract which are or may be material (other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) within the two years immediately preceding the date on which the Offer Period commenced.

8. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against the Company or any of its subsidiaries.

9. QUALIFICATIONS AND CONSENT OF EXPERT

The following are the qualifications of the expert who has given its report, opinion or advice which are contained in this Composite Document:

Name	Qualifications
Shenwan Hongyuan Capital (H.K.) Limited	a corporation licensed by the SFC to carry on Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its respective written consent to the issue of this Composite Document with the inclusion herein of its letter, report and references to its name, in the form and context in which they are included.

As at the Latest Practicable Date, the above expert did not have any shareholding, direct or indirect, in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

10. MISCELLANEOUS

- (a) The registered office of the Company is Clifton House, 75 Fort Street, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands. Its head office and principal place of business in Hong Kong is Unit 03, 15/F, 909 Cheung Sha Wan Road, Cheung Sha Wan, Kowloon, Hong Kong.
- (b) The English text of this Composite Document and the Form(s) of Acceptance shall prevail over the Chinese translation in the case of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the principal place of business of the Company in Hong Kong at Unit 03, 15/F 909 Cheung Sha Wan Road Cheung Sha Wan Kowloon Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) on the website of the Company (esmart.hk) during the period from the date of this Composite Offer Document onwards for as long as the Offer remain open for acceptance:

- (a) the memorandum of association and articles of association of the Company;
- (b) the annual report of the Company for the year ended 31 December 2015;
- (c) the annual report of the Company for the year ended 31 December 2016;
- (d) the interim report of the Company for the six months ended 30 June 2017;
- (e) the letter from the Board, the text of which is set out on pages 18 to 23 of this Composite Document;
- (f) the letter from the Independent Board Committee, the text of which is set out on pages 24 and 25 of this Composite Document;
- (g) the letter from the Independent Financial Adviser, the text of which is set out on pages 26 to 39 of this Composite Document;

- (h) the written consents referred to under the section headed “Qualifications and Consent of Expert” in this appendix;
- (i) the material contracts referred to under the section headed “Material Contracts” in this appendix; and
- (j) the Undertaking dated 11 October 2017 given by Asia Matrix and Mr. Ho to the Offeror for not accepting the Offer in respect of the 9,600,000 Shares held by it.

1. RESPONSIBILITY STATEMENT

The directors of both the Offeror and JIMU accept full responsibility for the accuracy of the information contained in this Composite Document (other than the information relating to the Group, the Vendor, the Covenantor and parties acting in concert with any one of them) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than the opinion expressed by the Group, the Vendor and parties acting in concert with any of them and the Directors) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statements in this Composite Document misleading.

2. DISCLOSURE OF INTERESTS AND DEALINGS

As at the Latest Practicable Date, the Offeror owned a total of 350,400,000 Shares (representing 73.00% of the existing issued share capital of the Company). Save as disclosed above, the Offeror confirmed that:

- (a) none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any one of them had any interest in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company as at the Latest Practicable Date;
- (b) save for the entering into of the Sale and Purchase Agreement to acquire 350,400,000 Shares, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any one of them had dealt for value in any Shares, convertible securities, warrants, options or derivatives in respect of any Shares during the Relevant Period;
- (c) save for the Undertaking, none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any one of them had received any irrevocable commitment to accept or reject the Offer as at the Latest Practicable Date;
- (d) none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any one of them had any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code with any person during the Relevant Period;
- (e) none of the Offeror, its ultimate beneficial owners and/or parties acting in concert with any one of them had borrowed or lent any Shares or any relevant securities of the Company during the Relevant Period; and
- (f) save for the Facility, there was no agreement, arrangement or understanding which may result in the securities of the Company to be acquired in pursuance of the Offer being transferred, charged or pledged to any other persons as at the Latest Practicable Date.

3. GENERAL

The Offeror confirmed that as at the Latest Practicable Date:

- (a) no benefit (other than statutory compensation) was or would be given to any Directors as compensation for loss of office or otherwise in connection with the Offer;
- (b) there was no agreement, arrangement, or understanding (including any compensation arrangement) existed between the Offeror or any person acting in concert with it and any Directors, recent Directors, Shareholders or recent Shareholders having any connection with or which was dependent upon the Offer; and
- (c) there was no agreement or arrangement to which the Offeror and parties acting in concert with it is a party which relates to circumstances in which it may or may not invoke or seek to invoke a condition to the Offer.

4. MARKET PRICES

The table below shows the closing price of the Shares as quoted on the Stock Exchange on (i) the last day on which trading took place in each of the calendar months during the Relevant Period; (ii) the trading day immediately prior to the commencement of the Offer Period; (iii) the Last Trading Day; and (iv) the Latest Practicable Date:

Date	Closing price per Share (HK\$)
2017	
31 March	0.360
28 April	0.390
31 May	0.445
30 June	0.300
31 July	0.285
31 August	0.355
29 September	0.600
10 October (Last Trading Day)	0.740
31 October	1.510
14 November (the Latest Practicable Date)	1.720

During the Relevant Period, the lowest closing price per Share as quoted on the Stock Exchange was HK\$0.26 per Share on 14 July 2017 and 14 August 2017 and the highest closing price per Share as quoted on the Stock Exchange was HK\$1.72 on 14 November 2017.

5. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given opinion and advice, which is contained in this Composite Document:

Name	Qualification
Kingston Corporate Finance	a corporation licensed by the SFO to carry on business in Type 6 (advising on corporate finance) regulated activity under the SFO
Kingston Securities	a corporation licensed by the SFO to carry on business in Type 1 (dealing in securities) regulated activity under the SFO
Veda Capital	a corporation licensed to carry on business in Type 6 (advising on corporate finance) regulated activity under the SFO

Each of Kingston Corporate Finance, Kingston Securities and Veda Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter and/or references to its name in the form and context in which it respectively appears.

6. MISCELLANEOUS

- (i) The registered offices of the Offeror and JIMU are situated at Vistra Corporate Services Centre, Wickhams Cay II, Road Town, Tortola, VG1110, British Virgin Islands.
- (ii) The correspondence address of the Offeror is 3/F, 100 Queen's Road Central, Hong Kong.
- (iii) The address of Mr. Tung Sun Tat, Clement, who is one of the directors of the Offeror, is 3/F, 100 Queen's Road Central, Hong Kong.
- (iv) The address of Mr. Xie Qun, who is one of the directors of the Offeror, is 501-505, Tower AB, Guanghua International Office Park, 10 Ocean Gold Indus Road, Chaoyang, Beijing.

- (v) The address of Ms. Long Jingjie, who is one of the directors of the Offeror, is 501-505, Tower AB, Guanghua International Office Park, 10 Ocean Gold Indus Road, Chaoyang, Beijing.
- (vi) The address of Mr. Dong Jun, who is one of the directors of JIMU, is 501-505, Tower AB, Guanghua International Office Park, 10 Ocean Gold Indus Road, Chaoyang, Beijing.
- (vii) The address of Ms. Guo Jia, who is one of the directors of JIMU, is 1506, Tower B, Parkview Green, No. 9, Dongdaqiao Road, Chaoyang District, Beijing, China.
- (viii) The address of Ms. Peng Xiaomei, who is one of the directors of JIMU, is 501-505, Tower AB, Guanghua International Office Park, 10 Ocean Gold Indus Road, Chaoyang, Beijing.
- (ix) The address of Mr. Wei Wei, who is one of the directors of JIMU, is 501-505, Tower AB, Guanghua International Office Park, 10 Ocean Gold Indus Road, Chaoyang, Beijing.
- (x) The address of Mr. Barry Freeman, who is one of the directors of JIMU, is 501-505, Tower AB, Guanghua International Office Park, 10 Ocean Gold Indus Road, Chaoyang, Beijing.
- (xi) The address of Mr. Hong Feng, who is one of the directors of JIMU, is 12F, East Office Building, the Rainbow City of China Resources, No. 68 Qinghe Middle Street, Haidian, Beijing.
- (xii) The address of Mr. Man Ho Kee Harry, who is one of the directors of JIMU, is Suite 08, 20th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (xiii) The registered office of Kingston Securities is situated at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (xiv) The registered office of Kingston Corporate Finance is situated at Suite 2801, 28th Floor, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong.
- (xv) The registered office of Veda Capital is situated at Room 1106, 11/F., Wing On Centre, 111 Connaught Road Central, Hong Kong.
- (xvi) The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese text in case of inconsistency.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection (i) during normal business hours from 9:00 a.m. to 5:00 p.m. (other than Saturdays, Sundays and public holidays) at the office of the legal advisor of the Company in Hong Kong at 4/F., Jardine House, 1 Connaught Place, Central, Hong Kong; (ii) on the website of the SFC (www.sfc.hk); and (iii) the Company's website (<http://esmart.hk>) during the period from the date of this Composite Document onwards for as long as the Offer remains open for acceptance:

- (a) the memorandum and articles of association of the Offeror;
- (b) the letter from Kingston Securities, the text of which is set out on pages 6 to 17 of this Composite Document; and
- (c) the written consents referred to under the paragraph headed "5. Experts' qualifications and consents" in this appendix.