



**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**

**ANNUAL RESULTS ANNOUNCEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2016**

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

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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

## RESULTS

The board (the “**Board**”) of directors (“**Directors**”) of Ever Smart International Holdings Limited (the “**Company**”) presents the audited consolidated financial results of the Company and its subsidiaries (collectively the “**Group**”) for the year ended 31 December 2016, together with the comparative audited figures of the year ended 31 December 2015.

### CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2016*

	<i>Notes</i>	<b>2016</b> <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Revenue	3	<b>241,389</b>	302,672
Cost of sales		<b>(216,804)</b>	(261,474)
Gross profit		<b>24,585</b>	41,198
Other income		<b>6,658</b>	2,733
Other expenses		<b>(4,438)</b>	(1,784)
Other gains and losses		<b>(212)</b>	(35)
Selling and distribution expenses		<b>(10,237)</b>	(7,453)
Administrative expenses		<b>(19,177)</b>	(16,920)
Listing expenses		<b>(9,263)</b>	(7,285)
Finance costs		<b>(925)</b>	(1,167)
(Loss) profit before taxation		<b>(13,009)</b>	9,287
Income tax expense	4	<b>(662)</b>	(2,851)
<b>(Loss) profit for the year</b>	5	<b>(13,671)</b>	6,436
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		<b>108</b>	193
<b>Total comprehensive (expense) income for the year</b>		<b>(13,563)</b>	6,629
<b>(Loss) earnings per share</b>			
– basic (HK cents)	7	<b>(3.17)</b>	1.79

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2016*

	<i>Notes</i>	<b>2016</b> <b>HK\$'000</b>	2015 <i>HK\$'000</i>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		<b>2,451</b>	2,747
Rental deposits		<b>113</b>	306
		<u><b>2,564</b></u>	<u>3,053</u>
<b>CURRENT ASSETS</b>			
Trade and bills receivables	8	<b>35,583</b>	55,807
Prepayments and deposits		<b>7,533</b>	2,288
Amount due from a director		–	21,266
Tax recoverable		<b>3,205</b>	–
Pledged bank deposits		<b>18,148</b>	2,134
Bank balances and cash		<b>49,175</b>	5,510
		<u><b>113,644</b></u>	<u>87,005</u>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	9	<b>23,629</b>	45,576
Amount due to a director		–	109
Tax payable		<b>370</b>	370
Bank borrowings – due within one year		<b>38,136</b>	27,750
		<u><b>62,135</b></u>	<u>73,805</u>
<b>NET CURRENT ASSETS</b>		<u><b>51,509</b></u>	<u>13,200</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u><b>54,073</b></u>	<u>16,253</u>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings – due after one year		<b>153</b>	461
Deferred tax liability		–	26
		<u><b>153</b></u>	<u>487</u>
<b>NET ASSETS</b>		<u><b>53,920</b></u>	<u>15,766</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	<b>4,800</b>	–
Reserves		<b>49,120</b>	15,766
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		<u><b>53,920</b></u>	<u>15,766</u>

# **CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

*For the year ended 31 December 2016*

	Attributable to owners of the Company						
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i> <i>(Note)</i>	Property revaluation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
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.

## NOTES:

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

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 January 2017.

### 3. 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:

	<b>Design, development, sourcing, marketing and sale of footwear HK\$'000</b>
<b>For the year ended 31 December 2016</b>	
Segment revenue – external	<b>241,389</b>
Segment loss	<b>(3,534)</b>
Other gains and losses	<b>(212)</b>
Listing expenses	<b>(9,263)</b>
Loss before taxation	<b>(13,009)</b>
<b>For the year ended 31 December 2015</b>	
Segment revenue – external	<b>302,672</b>
Segment profit	<b>16,511</b>
Unallocated income	<b>96</b>
Other gains and losses	<b>(35)</b>
Listing expenses	<b>(7,285)</b>
Profit before taxation	<b>9,287</b>

### 3. REVENUE AND SEGMENT INFORMATION – Continued

#### Segment assets

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

	<b>As at 31 December</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Total segment assets	<b>116,208</b>	<b>90,058</b>

#### Revenue from major products

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

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

#### Geographical information

The Group's operations are located in Hong Kong and the People's Republic of China ("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:

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

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



### 3. REVENUE AND SEGMENT INFORMATION – Continued

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

	As at 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	1,342	1,952
PRC	1,222	1,101
	<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	96,006	92,293

### 4. INCOME TAX EXPENSE

	Year ended 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	(26)	(342)
	<u>662</u>	<u>2,851</u>

#### 4. INCOME TAX EXPENSE – Continued

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.

#### 5. (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	1,460	1,278
Total staff costs	18,666	17,876
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	–	14
	–	(82)
Operating lease rental expense in respect of rented premises	1,269	1,390

## 6. 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.

## 7. (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.

## 8. TRADE AND BILLS RECEIVABLES

	As at 31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
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>

## 8. TRADE AND BILLS RECEIVABLES – Continued

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
	<i>HK\$'000</i>	<i>HK\$'000</i>
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	822	508
	<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.

## 9. 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	1,074	874
	<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	1	80
	<u>15,249</u>	<u>39,446</u>

## 10. SHARE CAPITAL

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

### Notes:

- (a) On the date of incorporation, the authorised share capital of the Company was HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each and one share of the Company of HK\$0.01 each was allotted and issued to the subscriber, which was then transferred to 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW AND OUTLOOK

The Group is principally engaged in the provision of footwear design and development, production management (including quality control) and logistics management service. The Group offers formal and casual footwear for men, women and children to its customers. Over the years of its operations since 2009, the Group has built a diverse global customer portfolio comprising mainly international wholesaler and retailers which are brand owners and/or licensees of formal and casual footwear.

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

During the year ended 31 December 2016, almost all of the Group's footwear was exported overseas with shipment destinations covering about 30 countries including Australia, United Kingdom, Chile, New Zealand, United Arab Emirates and United States. Any change in economic conditions of our export countries, such as interest rates, currency exchange rates, inflation, deflation, political uncertainty, taxation, stock market performance and general consumer confidence, may affect the volume of purchase of our customers. Any change in the sales orders from our customers in our export countries resulting from any change in global or regional economic conditions may affect our business operations and financial performance.

The occurrence of various unexpected global instability events in the second half of 2016, including Brexit and the resulting depreciation of the British pound and the terrorist attacks in Europe; has adversely affected customer sentiment and resulted a weaker performance of the Group during the year of 2016. The Group's revenue decreased by approximately 20.2% from approximately HK\$302.7 million for the year ended 31 December 2015 to approximately HK\$241.4 million for the year ended 31 December 2016.

Looking forward, despite the weakened market sentiments of the footwear industry, the Group will continue to implement the business strategies as set out in the Company's prospectus dated 20 May 2016 (the "**Prospectus**") in support of the Group's business objectives of maintaining its growth in the footwear design and development, production management and logistics management service industry and enhancing its overall competitiveness and market share. In order to deal with the challenging market conditions, the Group continues to maintain close working relationship with our customers by visiting them to understand their latest business development and product requirements and explore business opportunities by approaching potential customers through referrals by existing customers.

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2016, the Group recorded revenue of approximately HK\$241.4 million, a decrease of 20.2% comparing with that of approximately HK\$302.7 million for the year ended 31 December 2015. Set out below is the revenue breakdown of the footwear during the years ended 31 December 2015 and 2016:

	For the year ended 31 December			
	2016		2015	
	<i>HK\$'000</i>	%	<i>HK\$'000</i>	%
Men's footwear	<b>140,589</b>	<b>58.3</b>	201,576	66.6
Children's footwear	<b>71,554</b>	<b>29.6</b>	84,439	27.9
Women's footwear	<b>29,246</b>	<b>12.1</b>	16,657	5.5
Total	<b><u>241,389</u></b>	<b><u>100.0</u></b>	<b><u>302,672</u></b>	<b><u>100.0</u></b>

The sales of men's footwear decreased by approximately 30.3% for the year ended 31 December 2016 as comparing with that of the previous year. The sales of children's footwear decreased by approximately 15.3% for the year ended 31 December 2016 as compared to the previous year. The Group commenced the sale of women's formal footwear during the year ended 31 December 2015. The sales of women's footwear increased significantly by approximately 75.6% for the year ended 31 December 2016 as comparing with that of previous year. We will continue to put more resources to expand the sales of women's footwear in order to enhance our revenue.

### Cost of sales and gross profit

During the year ended 31 December 2016, the Group's gross profit decreased by approximately 40.3% from approximately HK\$41.2 million for the year ended 31 December 2015 to approximately HK\$24.6 million for the year ended 31 December 2016. The Group's cost of sales comprises purchase cost and other costs including mainly staff costs, sample and molding fees and other overhead. The purchase cost to sales ratio was at approximately 85% for the year ended 31 December 2016 comparing to that of approximately 84% for the year ended 31 December 2015. During the year ended 31 December 2016, sample and molding fees increased significantly by approximately HK\$2.8 million as compared to the corresponding year in 2015 which was attributable to the increased number of samples for the Group's new category of women's formal footwear and new brands requested by the Group's customers for potential orders. As a result, the Group's gross profit margin decreased from approximately 13.6% for the year ended 31 December 2015 to approximately 10.2% for the year ended 31 December 2016.

## **Other income and other expense**

Other income increased to approximately HK\$6.7 million for the year ended 31 December 2016 from approximately HK\$2.7 million for the corresponding year in 2015, primarily attributable to increase in samples and molding income and claims received of approximately HK\$2.6 million and HK\$1.3 million, respectively. Samples and molding income represented the income received from our customers for the making of samples and molds. Claims received mainly represented the compensation the Group received from its footwear suppliers primarily for product quality defects and incorrect packaging reworks. Other expenses increased to approximately HK\$4.4 million for the year ended 31 December 2016 from approximately HK\$1.7 million in 2015, primarily attributable to increase in claims paid of approximately HK\$2.3 million which represented the compensation paid to the Group's customers for product quality defects and incorrect packaging reworks.

## **Selling and distribution expenses**

Selling and distribution expenses increased to approximately HK\$10.2 million for the year ended 31 December 2016 from approximately HK\$7.5 million for the previous year, which was mainly due to the aggregate increase in entertainment and travelling expenses of approximately HK\$2.3 million as compared with that of the year ended 31 December 2015 as the Group increased its efforts in approaching potential customers for business opportunities through business referrals by visiting existing customers and business network.

## **Administrative expenses**

Administrative expenses increased HK\$2.3 million from approximately HK\$16.9 million for the year ended 31 December 2015 to approximately HK\$19.2 million for the year ended 31 December 2016, which was mainly due to the increase of listing-related professional fee and compliance expenses.

## **Loss for the year**

As a result of the foregoing, the loss for the year ended 31 December 2016 amounted to approximately HK\$13.7 million, which included the non-recurring listing expenses of approximately HK\$9.3 million for the year ended 31 December 2016 (2015: approximately HK\$7.3 million), comparing with the profit of approximately HK\$6.4 million for the year ended 31 December 2015.



## **LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE**

As at 31 December 2016, total borrowings of the Group amounted to approximately HK\$38.3 million (2015: approximately HK\$28.2 million) which represented the trust receipt loans for trade finance purpose, trade receivables transferred to banks by discounting those receivables on a recourse basis and hire purchase loan. As at 31 December 2016, the cash and cash equivalents and pledged bank deposit of the Group amounted to approximately HK\$67.3 million (2015: approximately HK\$7.6 million). As at 31 December 2016, debt to equity ratio of the Group was nil (2015: 130.5%). Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank borrowings and bank overdrafts net of pledged bank deposits and bank balances and cash, by total equity at the end of the respective years. Current ratio as at 31 December 2016 was approximately 1.8 times (2015: approximately 1.2 times).

The Group maintained sufficient working capital as at 31 December 2016 with bank balances and cash of approximately HK\$49.2 million (2015: approximately HK\$5.5 million). The Board of Directors will continue to follow a prudent treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to take advantage of growth opportunities for the business.

As at 31 December 2016, the Group's net current assets amounted to approximately HK\$51.5 million (2015: approximately HK\$13.2 million). The Group's operations are financed principally by revenue generated from its business operation, available cash and bank balances and bank borrowings.

### **PLEDGE OF ASSETS**

As at 31 December 2016, pledged bank deposits of approximately HK\$18.1 million (2015: approximately HK\$2.1 million) and motor vehicle with a carrying value of approximately HK\$1.0 million (2015: approximately HK\$1.4 million) of the Group were pledged to secure the Group's bank borrowings.

### **EXCHANGE RATE EXPOSURE**

The Group's revenue is denominated in US\$ due to the export-oriented nature of the Group's business. The Group's expenses, comprising primarily its payment to its footwear suppliers, are also mainly in US\$, which is the functional currency of the Group. As HK\$ is pegged to US\$, the Group does not expect any significant fluctuation in the exchange rate of HK\$ against US\$. The Group's management considers that the Group has no significant foreign exchange exposures. Foreign exchange risk arising from the normal course of operations is considered to be minimal. As at 31 December 2016, the Group did not use any financial instrument for hedging the foreign exchange risk.

## **SIGNIFICANT INVESTMENTS HELD**

During the year ended 31 December 2016, there was no significant investment held by the Group.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

During the year, the Group entered into a non-legally binding Memorandum of Understanding (“MOU”) with a patent owner to obtain a patent license. The MOU lapsed on 1 February 2017 upon the expiry of three months’ exclusivity period.

During the year ended 31 December 2016, apart from the above mentioned MOU, the Group did not have other plans for material investments and capital assets.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During the year ended 31 December 2016, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed in the Prospectus.

## **CONTINGENT LIABILITIES**

As at 31 December 2016, the Group did not have any significant contingent liabilities (2015: nil).

## **CAPITAL COMMITMENTS**

As at 31 December 2016, the Group did not have any significant capital commitments (2015: nil).

## **EMPLOYEES AND EMOLUMENT POLICIES**

The Group had 70 employees (including Directors) as at 31 December 2016 (2015: 67 employees) in mainland China and Hong Kong. The Group places emphasis on work experience in the footwear industry in hiring its designers, merchandising staff and quality control staff. In order to recruit, develop and retain talented employees, the Group offers competitive remuneration packages to our staff, including internal promotion opportunities and performance based bonus. The Group enters into standard employment contracts with our staff which contain provisions on intellectual property rights and confidentiality.

The remuneration committee of the Company will make recommendation to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group.

## Comparison of Business Objectives with Actual Business Progress

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress up to 31 December 2016.

### Business plan as set out in Prospectus

### Progress up to 31 December 2016

#### ***Broadening customer base and product offerings***

- |   |  |
|---|--|
| – Approach potential customers for business opportunities through business referrals by existing customers and business network | The Group visited existing customers and approached potential customers overseas to explore business opportunities and strengthen the business relationship. |
| – Participate in global sales conferences of the major customers to explore business opportunities                              | The Group participated global sales conferences of the major customers overseas to explore business opportunities.   |
| – Plan to lease a new office incorporating a showroom to promote the quality products and services of the Group                 | In view of the current uncertain global economic environment, the Group will execute the business plan to lease an office in 2017.                           |
| – Recruit additional sales representatives to broaden the customer base and product offerings                                   | The Group has employed a sales staff experienced in footwear market in Australia in October 2016 for broadening its customer base.                           |

#### ***Enhancing design, development and production management capabilities***

- |  |  |
|--|--|
| – Employ advance technology such as 3-dimensional (“3D”) printing technology in footwear development to shorten the product development time | The Group will utilize the fund as intended to purchase a 3D printer and recruit a footwear 3D technician in 2017.   |
| – Recruit a specialized footwear 3D technician   | The Group will use the fund as intended to recruit the designers and shipping staff in 2017. The Group has employed two shoe technicians and three quality control inspectors to enhance production management capabilities. |
| – Recruit additional designers to expand the design and development team   |  |
| – Recruit an experienced shoe technician to enhance the knowledge on footwear technical requirements and standards of different customers.   |  |
| – Recruit additional quality control and shipping staff to reinforce the quality management and logistics management services of the Group   |  |

## Business plan as set out in Prospectus

## Progress up to 31 December 2016

### *Obtaining licences of multiple brands*

- Obtain licensee of multiple footwear brands
- Engage professional parties to assist the Group in performing research, investigation and due diligence on brand licensing

The Group entered into a non-legally binding MOU with a patent owner to obtain a patent license and carried out due diligence of the patent license. The MOU lapsed on 1 February 2017 upon the expiry of three months' exclusivity period. The Group continues to seek for appropriate licences and will utilize the fund as intended

### *Enhancing corporate image*

- Participate in major footwear trade shows and fairs internationally to market the Group's quality products and services to attract new international brand owners and licensees to grow its business

In view of the current uncertain global economic environment, the Group will utilize the fund for enhancing corporate image when the market condition is appropriate.

### *Improving information technology system*

- Enhance and upgrade the Group's business management system for producing a more comprehensive information database of its customers, products, quality control, footwear suppliers and financial reporting

The Group has improved the information technology system by purchasing new computers and auxiliary products. The Group seeks for the appropriate business management system and will utilize the fund as intended

## USE OF PROCEEDS

The net proceeds from the issue of new shares of the Company through the placing of 120,000,000 ordinary shares of HK\$0.01 each in the share capital of the Company at the price of HK\$0.50 per share (the "**Placing**"), after deduction of the related underwriting fees and issuance expenses paid by the Company in connection therewith, were approximately HK\$44.6 million ("**Actual Proceeds**"), as compared to the estimated net proceeds of approximately HK\$45.0 million as disclosed in the Prospectus. Compared the Actual Proceeds of approximately HK\$44.6 million to the proceeds of approximately HK\$44.0 million in section "Business Plan" of Interim Report of the Group for the six months ended 30 June 2016, there were savings of approximately HK\$0.6 million mainly due to the reduction of actual listing expenses at final payment. Accordingly, the Group has adjusted the use of proceeds on a pro-rata basis.

The utilization of net proceeds from the Placing and a comparison of the Group's business plan in the Prospectus with actual business progress up to 31 December 2016 are set out below:

	<b>Total planned amount to be used <i>HK\$' million</i></b>	<b>Planned use of proceed up to 31 December 2016 <i>HK\$' million</i></b>	<b>Actual amount utilized up to 31 December 2016 <i>HK\$' million</i></b>	<b>Actual balance as at 31 December 2016 <i>HK\$' million</i></b>
<b>Use of net proceeds</b>				
Broadening customer base and product offerings	9.9	3.8	0.4	9.5
Enhancing design, development and production management capabilities	5.9	3.5	0.2	5.7
Obtaining licences of multiple brands	15.9	0.3	0.3	15.6
Enhancing corporate image	4.5	1.1	–	4.5
Improving information technology system	4.1	4.2	0.2	3.9
General working capital and other general corporate uses of the Group	4.3	1.1	0.7	3.6
<b>Total</b>	<b>44.6</b>	<b>14.0</b>	<b>1.8</b>	<b>42.8</b>

The difference of approximately HK\$12.2 million between the planned use of proceed up to 31 December 2016 of approximately HK\$14.0 million and the actual amount utilized up to 31 December 2016 of approximately HK\$1.8 million was mainly due to (i) the Group did not lease an office incorporating a showroom in Hong Kong in view of the current uncertain global economic environment; (ii) the Group did not purchase a 3D printer as the Group is in the course of seeking an appropriate model; (iii) the Group did not engage in enhancing and upgrading the business management system as the Group is in the course of seeking an appropriate system; and (iv) the Group did not participate in footwear trade shows and fairs in view of the current uncertain global economic environment.

The Company has opened and maintained separate bank accounts in licensed banks in Hong Kong designated for proceeds from the Placing. All the unutilized balances have been placed in the designated bank accounts in the licensed banks in Hong Kong.

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

## **CORPORATE GOVERNANCE CODE**

The Company had complied with all applicable code provisions set out in the Corporate Governance Code (the “**Code**”) contained in Appendix 15 to the GEM Listing Rules, except for the deviation from code provision A.2.1 of the Code as described below.

Code provision A.2.1 of the Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Ho Kin Wai (“**Mr. Ho**”) is the chairman and the chief executive officer of our Company. As Mr. Ho is one of the founders of our Group and has been operating and managing our Group since 2009, the Board of Directors believes that it is in the best interest of our Group to have Mr. Ho taking up both roles for effective and efficient management, strategic planning and business development for our Group, notwithstanding that it is a deviation from code provision A.2.1 of the Code.

## **DIRECTORS’ SECURITIES TRANSACTIONS**

The Group has adopted the required standard of dealing, as set out in Rules 5.48 to 5.67 of the GEM Listing Rules, as the code of conduct for securities transactions by the Directors in respect of the shares of the Company. Having made specific enquiry of all Directors, all Directors have confirmed that they have complied with the required standard of dealing and the code of conduct for securities transactions by directors from the Listing date and up to the date of this announcement.

## **INTEREST OF THE COMPLIANCE ADVISER**

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

## **INTERESTS IN COMPETING BUSINESS**

For the year ended 31 December 2016, none of the Directors or any of their respective close associates (all as defined under the GEM Listing Rules) are engaged in any business that competes or may complete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

## NON-COMPETITION UNDERTAKINGS

Mr. Ho, Asia Matrix and Mr. Ho Kwok Choi (the “**Controlling Shareholders**”), being the controlling shareholders (as defined under the Listing Rules) of the Company, have given a non-competition undertaking in favour of the Company (the “**Non-competition Undertaking**”). Each of the Controlling Shareholders has undertaken under the Non-Competition Undertaking that he or it shall provide to the Company from time to time with all information necessary for the annual review by the independent non-executive Directors with regard to compliance of the terms of the Non-Competition Undertaking by the Controlling Shareholders and the enforcement of the Non-Competition Undertaking. Details of the Non-Competition Undertakings have been disclosed in the section headed “Relationship with Controlling Shareholders” of the Prospectus.

Each of the Controlling Shareholders has confirmed his or its compliance with the terms of the Non-Competition Undertaking and the independent non-executive Directors were not aware of any non-compliance of the Non-Competition Undertaking given by the Controlling Shareholders during the year ended 31 December 2016 and up to the date of this announcement.

## SHARE OPTION SCHEME

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

## DIRECTORS’ INTERESTS IN SECURITIES

As at 31 December 2016, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the “**SFO**”), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

### Long position in shares or underlying shares of the Company

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



*Note :*

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

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

Save as disclosed above, as at 31 December 2016, none of the Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

#### **INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS**

As at 31 December 2016, so far as known to any Director or chief executive of the Company, the following persons (other than the Directors and chief executive of the Company) had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under Section 336 of the SFO:

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

*Note:*

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

Save as disclosed above, as at 31 December 2016, the Directors were not aware of any other persons who had interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or recorded in the register required to be kept under Section 336 of the SFO.



## **PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY**

During the year ended 31 December 2016, the Company did not redeem any of its shares, and neither did the Company nor any of its subsidiaries purchase or sell any of the Company's shares.

## **EVENTS AFTER THE BALANCE SHEET DATE**

As from 31 December 2016 to the date of this announcement, no significant events have occurred.

## **DIVIDENDS**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2016. (2015: nil).

## **Annual General Meeting ("AGM")**

The forthcoming AGM will be held on Thursday, 18 May 2017. A notice convening the AGM will be published in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 12 May 2017 to Thursday, 18 May 2017, both days inclusive, during which period no transfer of Shares will be registered. For determining the entitlement of members of the Company to attend and vote at the AGM, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 11 May 2017.

## **AUDIT COMMITTEE**

The Company established the Audit Committee on 11 May 2016 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Audit Committee are to make recommendation to the Board on the appointment and removal of external auditors; review financial statements and material advice in respect of financial reporting; and oversee internal control procedures of the Company.

The Audit Committee currently consists of three members, namely Mr. Yuen Poi Lam William (Chairman), Mr. Lu Tak Ming and Mr. Liu Chun Kit, all being independent non-executive Directors. From the date of the Listing to the date of this announcement, the Audit Committee had reviewed the interim results of the Group for the six months ended 30 June 2016 and the third quarterly results of the Group for the nine months ended 30 September 2016. The Group's final results for the year ended 31 December 2016 had been reviewed by the Audit Committee before submission to the Board for approval. The Audit Committee is of the view that the annual results complied with the applicable accounting standards, the requirements under the GEM Listing Rules and other applicable legal requirements, and that adequate disclosures had been made.

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

Hong Kong, 20 March 2017

*As at the date of this announcement, the executive Directors are Mr. Ho Kin Wai and Mr. Ho Kin Pong, and the independent non-executive Directors are Mr. Yuen Poi Lam William, Mr. Lu Tak Ming and Mr. Liu Chun Kit.*

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