Ever Smart International Holdings Ltd.
永駿國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(於開曼群島註冊成立之有限公司)
Stock Code: 8187

INTERIM REPORT 2017

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*This report, 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 report 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 report misleading.*

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF EVER SMART INTERNATIONAL HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

Introduction

We have reviewed the condensed consolidated financial statements of Ever Smart International Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") set out on pages 3 to 15, which comprise the condensed consolidated statement of financial position as of 30 June 2017, and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("**HKAS 34**") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ("**HKSRE 2410**") issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Without qualifying our review conclusion, we draw attention to the fact that the condensed consolidated statement of profit or loss and other comprehensive income for the three-month periods ended 30 June 2017 and 30 June 2016 and the relevant explanatory notes included in these condensed consolidated financial statements have not been reviewed in accordance with HKSRE 2410.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
8 August 2017

RESULTS

The board (the "**Board**") of directors ("**Directors**") of Ever Smart International Holdings Limited (the "**Company**") presents the unaudited condensed consolidated financial statements of the Company and its subsidiaries (collectively the "**Group**") for the six months and three months ended 30 June 2017, together with the comparative unaudited figures of the corresponding period in 2016.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**(Unaudited) Three months ended 30 June**		**(Unaudited) Six months ended 30 June**	
		2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Revenue	4	**51,700**	54,136	**91,011**	111,633
Cost of sales		**(45,715)**	(49,408)	**(81,994)**	(99,815)
Gross profit		**5,985**	4,728	**9,017**	11,818
Other income		**690**	1,655	**1,307**	2,449
Other expenses		**(415)**	(544)	**(1,445)**	(686)
Other gains and losses		**(9)**	21	**(1)**	38
Selling and distribution expenses		**(3,182)**	(2,530)	**(5,655)**	(4,276)
Administrative expenses		**(4,556)**	(4,255)	**(8,784)**	(7,652)
Listing expenses		**–**	(7,353)	**–**	(9,759)
Finance costs		**(204)**	(195)	**(501)**	(428)
Loss before taxation		**(1,691)**	(8,473)	**(6,062)**	(8,496)
Income tax expense	5	**–**	(40)	**–**	(521)
Loss for the period	6	**(1,691)**	(8,513)	**(6,062)**	(9,017)
Other comprehensive (expense) income:					
Item that may be subsequently reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations		**(13)**	155	**(24)**	144
Total comprehensive expense for the period		**(1,704)**	(8,358)	**(6,086)**	(8,873)
Loss per share (HK cents)					
– Basic	8	**(0.35)**	(2.12)	**(1.26)**	(2.37)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	(Unaudited) 30 June 2017 HK$'000	(Audited) 31 December 2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**2,553**	2,451
Rental deposits		**307**	113
		2,860	2,564
CURRENT ASSETS			
Trade and bills receivables	9	**26,360**	35,583
Prepayments and deposits		**6,912**	7,533
Tax recoverable		**3,205**	3,205
Pledged bank deposits		**18,178**	18,148
Bank balances and cash		**46,148**	49,175
		100,803	113,644
CURRENT LIABILITIES			
Trade and other payables	10	**27,376**	23,629
Tax payable		**–**	370
Bank borrowings – due within one year	11	**28,453**	38,136
		55,829	62,135
NET CURRENT ASSETS		**44,974**	51,509
TOTAL ASSETS LESS CURRENT LIABILITIES		**47,834**	54,073
NON-CURRENT LIABILITY			
Bank borrowings – due after one year	11	**–**	153
NET ASSETS		**47,834**	53,920
CAPITAL AND RESERVES			
Share capital	12	**4,800**	4,800
Reserves		**43,034**	49,120
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**47,834**	53,920

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company					
	Share capital HK$'000	**Share premium** HK$'000	**Translation reserve** HK$'000	**Capital reserve** HK$'000 *(Note)*	**Retained profits (accumulated losses)** HK$'000	**Total equity** HK$'000
At 1 January 2016 (Audited)	–	–	201	(67)	15,632	15,766
Exchange differences arising on the translation of foreign operations	–	–	144	–	–	144
Loss for the period	–	–	–	–	(9,017)	(9,017)
Total comprehensive income (expense) for the period	–	–	144	–	(9,017)	(8,873)
Issue of new shares	1,200	58,800	–	–	–	60,000
Issue of shares by capitalisation of share premium account	3,600	(3,600)	–	–	–	–
Transaction costs attributable to issue of new shares	–	(8,448)	–	–	–	(8,448)
At 30 June 2016 (Unaudited)	4,800	46,752	345	(67)	6,615	58,445
At 1 January 2017 (Audited)	**4,800**	**46,917**	**309**	**(67)**	**1,961**	**53,920**
Exchange differences arising on the translation of foreign operations	**–**	**–**	**(24)**	**–**	**–**	**(24)**
Loss for the period	**–**	**–**	**–**	**–**	**(6,062)**	**(6,062)**
Total comprehensive expense for the period	**–**	**–**	**(24)**	**–**	**(6,062)**	**(6,086)**
At 30 June 2017 (Unaudited)	**4,800**	**46,917**	**285**	**(67)**	**(4,101)**	**47,834**

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 under the reorganisation.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	(Unaudited) Six months ended 30 June 2017 HK$'000	2016 HK$'000
NET CASH USED IN OPERATING ACTIVITIES	**(33,023)**	(13,811)
INVESTING ACTIVITIES		
Placement of pledged bank deposits	**(12,030)**	(12,002)
Purchase of property, plant and equipment	**(586)**	–
Withdrawal of pledged bank deposits	**12,000**	12,000
Advance to a director	**–**	(240)
Repayment from a director	**–**	21,506
Others	**56**	2
NET CASH (USED IN) FROM INVESTING ACTIVITIES	**(560)**	21,266
FINANCING ACTIVITIES		
New bank loans raised	**72,567**	59,445
Repayment of bank loans	**(41,446)**	(42,550)
Proceeds from issue of shares	**–**	60,000
Advance from a director	**–**	34
Transaction costs on issue of shares	**–**	(8,448)
Repayment to a director	**–**	(143)
Others	**(501)**	(428)
NET CASH FROM FINANCING ACTIVITIES	**30,620**	67,910
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(2,963)**	75,365
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**49,175**	5,510
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(64)**	60
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTED BY BANK BALANCES AND CASH	**46,148**	80,935

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 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 Company and its subsidiaries (collectively referred to as the "**Group**") is Mr. Ho Kin Wai.

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the HKICPA that are relevant for the preparation of the Group's 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 above amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or on the disclosures set out in these condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents revenue arising on trading of footwear.

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

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

	Design, development, sourcing, marketing and sale of footwear HK$'000
Six months ended 30 June 2017 (Unaudited)	
Segment revenue – external	**91,011**
Segment loss	**(6,061)**
Other gains and losses	**(1)**
Loss before taxation	**(6,062)**
Six months ended 30 June 2016 (Unaudited)	
Segment revenue – external	111,633
Segment profit	1,225
Other gains and losses	38
Listing expenses	(9,759)
Loss before taxation	(8,496)

5. INCOME TAX EXPENSE

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong Profits Tax (credit) charge *(note i)*	–	(27)	–	321
People's Republic of China ("**PRC**") Enterprise Income Tax ("**EIT**") charge *(note ii)*	–	78	–	219
Deferred tax credit	–	(11)	–	(19)
	–	40	–	521

Notes:

(i) Hong Kong

No provision of Hong Kong Profit Tax has been made in the condensed consolidated financial statements as the Group has no assessable profit for the six-month period ended 30 June 2017.

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the six-month period ended 30 June 2016.

(ii) PRC

No provision of PRC EIT has been made in the condensed consolidated financial statements as the subsidiary established in the PRC has no assessable profit for the six-month period ended 30 June 2017.

PRC EIT is calculated based on the statutory rate of 25% of the assessable profit for the subsidiary established in the PRC for the six-month period ended 30 June 2016, as determined in accordance with the relevant income tax rules and regulations in the PRC.

6. LOSS FOR THE PERIOD

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Loss for the period has been arrived at after charging (crediting):				
Directors' remuneration	**1,073**	826	**2,142**	1,600
Other staff costs (excluding directors' remuneration)				
– Salaries, bonuses and other benefits	**4,251**	3,109	**8,115**	6,008
– Retirement benefit scheme contributions	**334**	323	**671**	689
Total staff costs	**5,658**	4,258	**10,982**	8,297
Depreciation of property, plant and equipment	**257**	238	**524**	478
Cost of inventories recognised as an expense	**45,715**	49,408	**81,994**	99,815
Operating lease minimum rental expense in respect of rental premises	**374**	322	**633**	642
Interest income	**(26)**	(1)	**(56)**	(3)

7. DIVIDEND

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

8. LOSS PER SHARE

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2017	2016	**2017**	2016
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loss earnings:				
Loss for the purpose of calculating basic loss per share (loss for the period attributable to the owners of the Company)	**1,691**	8,513	**6,062**	9,017

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2017	2016	**2017**	2016
	'000	'000	**'000**	'000
Number of shares:				
Weighted average number of ordinary shares for the purpose of calculating basic loss per share	**480,000**	402,198	**480,000**	381,099

No diluted loss per share is presented for periods ended 30 June 2017 and 2016 as there is no potential ordinary share in issue during both periods.

9. TRADE AND BILLS RECEIVABLES

	(Unaudited) 30 June 2017 HK$'000	(Audited) 31 December 2016 HK$'000
Trade and bills receivables	**22,362**	18,843
Trade receivables discounted with recourse	**3,998**	16,740
	26,360	35,583

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 which approximate the revenue recognition dates:

	(Unaudited) 30 June 2017 HK$'000	(Audited) 31 December 2016 HK$'000
0-30 days	**18,988**	19,639
31-60 days	**5,507**	13,652
61-90 days	**1,388**	1,470
Over 90 days	**477**	822
	26,360	35,583

10. TRADE AND OTHER PAYABLES

	(Unaudited) 30 June 2017 HK$'000	(Audited) 31 December 2016 HK$'000
Trade payables	**20,026**	15,249
Receipt in advance from customers	**1,685**	1,173
Accrued staff salaries	**3,413**	3,251
Accrued expenses	**904**	2,824
Other tax payables	**87**	58
Others	**1,261**	1,074
	27,376	23,629

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:

	(Unaudited) 30 June 2017 HK$'000	(Audited) 31 December 2016 HK$'000
0 to 30 days	**16,674**	13,312
31 to 60 days	**3,221**	1,838
61 to 90 days	**11**	98
Over 90 days	**120**	1
	20,026	15,249

11. BANK BORROWINGS

	(Unaudited) 30 June 2017 HK$'000	(Audited) 31 December 2016 HK$'000
Secured bank borrowings:		
– Variable rate	**21,883**	32,523
– Fixed rate	**6,570**	5,766
	28,453	38,289

During the six-month period ended 30 June 2017, the Group raised new bank borrowings amounting to HK$72,567,000 (31 December 2016: HK$156,142,000) and settled bank borrowings amounting to HK$82,403,000 (31 December 2016: HK$146,064,000), of which HK$40,957,000 (31 December 2016: HK$60,431,000) was settled with the bank upon settlement of the discounted trade receivables from the Group's debtor.

The fixed rate bank borrowings as at 30 June 2017 carry interests at 3.5% (31 December 2016: 3.5% to 5.5%) per annum. The variable rate bank borrowings as at 30 June 2017 and 31 December 2016 carry interests at a premium over Hong Kong Interbank Offered Rate. The ranges of effective interest rates on bank borrowings are 3.17% to 3.67% (31 December 2016: 2.30% to 3.01%) per annum.

12. SHARE CAPITAL

	Number of shares	Share capital
		HK'000
Authorised:		
At 1 January 2016 of HK$0.01 each	38,000,000	380
Increase on 11 May 2016 *(Note a)*	962,000,000	9,620
At 31 December 2016 and 30 June 2017 of HK$0.01 each	1,000,000,000	10,000
Issued and fully paid:		
At 1 January 2016 of HK$0.01 each	1,000	–
Issue of new shares *(Note b)*	479,999,000	4,800
At 31 December 2016 and 30 June 2017 of HK$0.01 each	480,000,000	4,800

Notes:

(a) 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.

(b) 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 1 January 2016 to 30 June 2017 ranked pari passu in all respects with the then existing shares in issue.

13. CAPITAL COMMITMENTS

	(Unaudited) 30 June 2017 HK$'000	(Audited) 31 December 2016 HK$'000
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of acquisition of property, plant and equipment	**212**	–

14. RELATED PARTY DISCLOSURES

Compensation of the directors and key management personnel

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

	(Unaudited) Three months ended 30 June		(Unaudited) Six months ended 30 June	
	2017 HK$'000	2016 HK$'000	**2017 HK$'000**	2016 HK$'000
Salaries and other allowances	**1,537**	1,328	**3,067**	2,627
Incentive performance bonus	**732**	110	**945**	110
Retirement benefit scheme contributions	**23**	23	**45**	45
	2,292	1,461	**4,057**	2,782

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

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

The Group's revenue decreased by approximately 18.5% from approximately HK$111.6 million for the six months ended 30 June 2016 to approximately HK$91.0 million for the six months ended 30 June 2017. The Group's sales to customers with shipment destination to the United Kingdom (the "**UK**") and other European countries decreased by approximately 62.3% from approximately HK$48.4 million for the six months ended 30 June 2016 to approximately HK$18.2 million for the corresponding period in 2017. Various uncertainties clouded the European economy during the first half of 2017, 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, which have adversely affected customer sentiment. The decrease in revenue during the period under review as compared to the corresponding period in 2016 mainly resulted from such instability events in Europe.

During the six months ended 30 June 2017, the Group's gross profit decreased by approximately 23.7% from approximately HK$11.8 million for the six months ended 30 June 2016 to approximately HK$9.0 million for the six months ended 30 June 2017. The Group's cost of sales comprises purchase cost and other costs including mainly staff costs, sample and molding fees and other overheads. The purchase cost to sales ratio was approximately 83.3% for the six months ended 30 June 2017 comparing to approximately 84.6% for the six months ended 30 June 2016. During the six months ended 30 June 2017, sample and molding fees increased by approximately HK$0.3 million as compared to the corresponding period in 2016 which was mainly attributable to the increased number of molds for the Group's new style of children's footwear and new brands requested by the Group's customers for potential orders. As a result mainly of the foregoing, the Group's gross profit margin decreased from approximately 10.6% for the six months ended 30 June 2016 to approximately 9.9% for the six months ended 30 June 2017.

Other income decreased to approximately HK$1.3 million for the six months ended 30 June 2017 from approximately HK$2.4 million for the corresponding period in 2016, primarily attributable to a decrease in samples and molding income of approximately HK$1.6 million which was partially offset by an increase in claims received of approximately HK$0.3 million. Claims received mainly represents the compensation the Group received from its footwear suppliers primarily for product quality defects and incorrect packaging reworks. Other expenses increased to approximately HK$1.4 million for the six months ended 30 June 2017 from approximately HK$0.7 million for the corresponding period in 2016. The increase is primarily attributable to an increase in claims paid of approximately HK$0.6 million which represents the compensation paid to the Group's customers for product quality defects and incorrect packaging reworks.

Selling and distribution expenses increased to approximately HK$5.7 million for the six months ended 30 June 2017 from approximately HK$4.3 million for the corresponding period in 2016, which was mainly due to an increase in salary for sales staff of approximately HK$1.9 million as compared with the corresponding period in 2016 as a result of the employment of additional sales staff for increasing the Group's efforts in approaching potential and existing customers for business opportunities and broadening the Group's customer base and product offerings. Such increase in salary of sales staff was partially offset by the decrease in freight expense for the delivery of footwear to customers of approximately HK$0.2 million for the six months ended 30 June 2017 as compared with the corresponding period in 2016 which was mainly due to the decrease in sales to customers with shipment destination to the UK. In addition, there was an aggregate decrease in entertainment and overseas travelling of approximately HK$0.2 million for the six months ended 30 June 2017 as compared with the corresponding period in 2016.

As a result of the foregoing, the Group recorded a net loss for the six months ended 30 June 2017 of approximately HK$6.1 million, as compared to a net loss of approximately HK$9.0 million for the corresponding period in 2016.

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.

Various uncertainties clouded the European economy during the first half of 2017, 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, which have adversely affected customer sentiment. The Group's major customers, particularly in the UK and other European countries, faced greater challenges in their businesses which resulted in a weaker performance of the Group during the period under review.

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 ("**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 will continue to maintain close working relationships with our customers by visiting them and attending sales conferences to understand their latest business development and product requirements and explore business opportunities by approaching potential customers through referrals by existing customers. The Group will also participate in major footwear trade shows and fairs to market the Group's quality products and services.

In May 2017, the Group entered into a tenancy agreement with a landlord in relation to the lease of a property for office and showroom in Dongguan City, Guangdong, the PRC for a term of five years commencing from May 2017. The leasing of the property is for the purpose of implementing the Group's business objective of broadening customer base and product offerings as disclosed in the section headed "Future plans and use of proceeds – Use of proceeds" in the Prospectus. Having considered the current uncertain global economic environment, the Board of Directors of the Company considers that the leasing of the property for office and showroom in the PRC would allow the Group to deploy its financial resources more effectively as the rental expense for the PRC office will be lower than that of a comparable Hong Kong office.

In June 2017, the Group entered into International Merchandising License Agreement ("**License Agreement**") with ENS Global Marketing Limited (the "**Licensing Agent**") and SEMK Products Limited (the "**Licensor**"), pursuant to which the Licensor and the Licensing agent granted to the Group a non-exclusive right and licence to utilize the "B. Duck" brand (the "**Licensed Brand**") for the manufacture, distribution, advertising, promotion and sales of the Licensed Brand's footwear in Hong Kong and the PRC.

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

As at 30 June 2017, total borrowings of the Group amounted to approximately HK$28.5 million (31 December 2016: approximately HK$38.3 million) which represented the trust receipt loans for trade finance purpose, trade receivables transferred to banks by discounting those receivables on a recourse basis, bank loan and hire purchase loan. As at 30 June 2017, the cash and cash equivalents and pledged bank deposit of the Group amounted to approximately HK$64.3 million (31 December 2016: approximately HK$67.3 million). As at 30 June 2017, debt to equity ratio of the Group was nil (31 December 2016: nil). 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 30 June 2017 was approximately 1.8 times (31 December 2016: approximately 1.8 times).

The Group maintained sufficient working capital as at 30 June 2017 with bank balances and cash of approximately HK$46.1 million (31 December 2016: approximately HK$49.2 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 30 June 2017, the Group's net current assets amounted to approximately HK$45.0 million (31 December 2016: approximately HK$51.5 million). The Group's operations are financed principally by revenue generated from its business operation, available cash and bank balances and bank borrowings.

CAPITAL STRUCTURE

As at 30 June 2017, the share capital and equity attributable to owners of the Company amounted to HK$4.8 million and approximately HK$47.8 million, respectively (31 December 2016: HK$4.8 million and approximately HK$53.9 million, respectively).

PLEDGE OF ASSETS

As at 30 June 2017, bank deposits of approximately HK$18.2 million (31 December 2016: approximately HK$18.1 million) and motor vehicle with a carrying value of approximately HK$0.7 million (31 December 2016: approximately HK$1.0 million) of the Group were pledged to secure the Group's bank borrowings.

EXCHANGE RATE EXPOSURE

The Group's revenue is denominated in United States Dollars ("**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 30 June 2017, the Group did not use any financial instrument for hedging the foreign exchange risk.

SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2017, there was no significant investment held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group currently has no other plan for material investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2017, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any significant contingent liabilities (31 December 2016: nil).

CAPITAL COMMITMENTS

As at 30 June 2017, the Group had capital commitments of approximately HK$212,000 (31 December 2016: nil).

EMPLOYEES AND EMOLUMENT POLICIES

The Group had 70 employees (including Directors) as at 30 June 2017 (31 December 2016: 70 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 recommendations to the Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group.

COMPARISON OF BUSINESS PLAN 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 30 June 2017.

Business plan as set out in Prospectus	Progress up to 30 June 2017
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	The Group leased an office and showroom in Dongguan City, Guangdong, the PRC in May 2017 to promote the quality products and services of the Group.
– 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 purchased a 3D printer in February 2017 for employing the 3D printing technology in footwear development.
– Recruit a specialized footwear 3D technician	The Group has employed a 3D technician in May 2017 to produce 3D modelling.
– Recruit additional designers to expand the design and development team	The Group has employed a footwear designer in May 2017 to enhance the product design and development capabilities.
– Recruit an experienced shoe technician to enhance the knowledge on footwear technical requirements and standards of different customers	The Group has employed two shoe technicians in August 2016 to assist our designers in product design and development. Currently the Group has employed one shoe technician.
– Recruit additional quality control and shipping staff to reinforce the quality management and logistics management services of the Group	The Group has employed three quality control inspectors in July 2016 to enhance production management capabilities.

Business plan as set out in Prospectus	Progress up to 30 June 2017
Obtaining licences of multiple brands	
– Obtain licences 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 License Agreement with the Licensing Agent and the Licensor in June 2017 for granting a non-exclusive right and licence to utilize the Licensed Brand for the manufacture, distribution, advertising, promotion and sales of the Licensed Brand's footwear in Hong Kong and the PRC.
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 has contracted an outside party in June 2017 for the development of an "online shop" to promote our products.

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, as compared to the estimated net proceeds of approximately HK$45.0 million as disclosed in the Prospectus. Accordingly, the Group has adjusted the use of proceeds on a pro-rata basis. The utilization of net proceeds from the Placing is set out below:

Use of net proceeds	**Total planned amount to be used**	**Planned use of proceed up to 30 June 2017**	**Actual amount utilized up to 30 June 2017**		**Actual balance as at 30 June 2017**
	HK$'million	HK$'million	HK$'million		HK$'million
Broadening customer base and product offerings	9.9	5.4	2.2		7.7
Enhancing design, development and production management capabilities	5.9	4.1	0.8		5.1
Obtaining licences of multiple brands	15.9	3.7	0.2	*Note*	15.7
Enhancing corporate image	4.5	2.1	–		4.5
Improving information technology system	4.1	4.2	0.4		3.7
General working capital and other general corporate uses of the Group	4.3	2.0	1.5		2.8
Total	44.6	21.5	5.1		39.5

Note: Included a refund of legal fee of approximately HK$0.1 million due to the termination of due diligence on patent after the lapse of a memorandum of understanding on 1 February 2017.

The difference of approximately HK$16.4 million between the planned use of proceed up to 30 June 2017 of approximately HK$21.5 million and the actual amount utilized up to 30 June 2017 of approximately HK$5.1 million was mainly due to (i) the Group did not lease an office incorporating a showroom in Hong Kong but leased an office incorporating a showroom in the PRC since May 2017 in view of the current uncertain global economic environment; (ii) the Group is still in the process of identifying other appropriate licenses, apart from the License Agreement signed in June 2017; (iii) the Group has not yet engaged in enhancing and upgrading the business management system as the Group is in the course of seeking an appropriate system; and (iv) the Group has not yet participated 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 the Company. As Mr. Ho is one of the founders of the Group and has been operating and managing the Group since 2009, the Board believes that it is in the best interest of the Group to have Mr. Ho taking up both roles for effective and efficient management, strategic planning and business development for the Group, notwithstanding that it is a deviation from code provision A.2.1 of the Code.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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 during the period under review.

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 six months ended 30 June 2017, none of the Directors, controlling shareholders or substantial shareholders of the Company or any of their respective close associates (all as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

NON-COMPETITION UNDERTAKINGS

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

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 report, no share options have been granted pursuant to the Share Option Scheme.

The Share Option Scheme enables the Company to grant options to eligible persons, which mean among others, any full-time or part-time employee of the Company or any member of the Group, including any executive, non-executive directors and independent non-executive directors, advisors, consultants of our Company or any of the subsidiaries as incentives or rewards for their contributions to our Group.

DIRECTORS' INTERESTS IN SECURITIES

As at 30 June 2017, 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

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

Note:

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

Long position in the ordinary shares of associated corporation

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

Save as disclosed above, as at 30 June 2017, none of the Directors or chief executive of the Company had any interest or short position in shares, debentures or underlying shares of the Company and its associated corporations which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

INTERESTS DISCLOSABLE UNDER THE SFO AND SUBSTANTIAL SHAREHOLDERS

As at 30 June 2017, 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
Asia Matrix	Beneficiary owner	360,000,000	75%
Mr. Ho	Interest in a controlled corporation *(Note)*	360,000,000	75%

Note:

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

Save as disclosed above, as at 30 June 2017, 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 six months ended 30 June 2017, 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.

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.

The Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2017 have been reviewed by the Audit Committee and the Company's auditor, Deloitte Touche Tohmatsu, which were of the opinion that such statements have complied with the applicable accounting standards and that adequate disclosures had been made.

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

Hong Kong, 8 August 2017

As at the date of this report, 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.