

LEVER STYLE CORPORATION

利華控股集團

(Incorporated in the Cayman Islands with limited liability)

 leverstyle



2022

INTERIM REPORT

STOCK CODE : 1346



WWW.LEVERSTYLE.COM

THE APPAREL ENGINE FOR DIGITAL RETAIL

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Corporate Information

Board of Directors

Executive directors

Mr. Szeto Chi Yan Stanley (*Chairman*)
Dr. Chan Yuk Mau Eddie
(*Chief Executive Officer ("CEO")*)
Mr. Lee Yiu Ming

Independent non-executive directors

Mr. See Tak Wah
Mr. Andersen Dee Allen
Ms. Kesebi Lale
Mr. Liu Gary

Audit Committee

Mr. See Tak Wah (*Chairman*)
Mr. Andersen Dee Allen
Ms. Kesebi Lale
Mr. Liu Gary

Remuneration Committee

Mr. Andersen Dee Allen (*Chairman*)
Mr. See Tak Wah
Mr. Szeto Chi Yan Stanley
Ms. Kesebi Lale
Mr. Liu Gary

Nomination Committee

Mr. Szeto Chi Yan Stanley (*Chairman*)
Mr. See Tak Wah
Mr. Andersen Dee Allen
Ms. Kesebi Lale
Mr. Liu Gary

Company Secretary

Mr. Lee Yiu Ming

Registered Office

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong

Room 76, Flat A
7/F, Wing Tai Centre
12 Hing Yip Street
Kwun Tong, Kowloon
Hong Kong

Principal Place of Business in China

1/F, TinWe Mansion
6 Liu Fang Road
Bao'an District
Shenzhen
China

Compliance Adviser

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

Auditor

Deloitte Touche Tohmatsu
Certified Public Accountants
Registered Public Interest Entity Auditors
35th Floor, One Pacific Place
88 Queensway, Hong Kong

Legal Advisor

Withers

30/F, United Centre
95 Queensway
Admiralty
Hong Kong

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

HSBC Main Building
1 Queen's Road Central
Hong Kong

Hang Seng Bank Limited

83 Des Voeux Road Central
Central
Hong Kong

Bank of China (Hong Kong) Limited

Bank of China Tower
1 Garden Road
Hong Kong

Citibank, N.A., Hong Kong Branch

21/F, Citi Tower, One Bay East
83 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong

Company Website

www.leverstyle.com

Stock Code

1346

Management Discussion and Analysis

Review and Future Prospects

Taking advantage of the continued post-COVID rebound, the first half 2022 revenues and net profit of Lever Style Corporation (“Lever Style” or the “Company”, together with its subsidiaries, the “Group”) increased approximately 65% and 195% respectively as compared to the corresponding period in 2021. Despite the industry’s seasonal nature that traditionally favors the second half, our first half 2022 net profit exceeded that of full year 2021 by approximately 17%.

First half 2022 was again saddled with supply chain challenges. COVID lockdowns in China became more frequent and unpredictable. The December 2021 passage of the Uyghur Forced Labor Prevention Act in the United States of America has made American buyers even more weary of sourcing fabrics and garments from China. We have managed to tackle such challenges by flexibly adapting our material sourcing and garment production to suit our customers’ needs, thus once again demonstrating the versatility of our asset-light model. This versatility, along with our industry-leading product portfolio, has helped us outpace the industry rebound and achieve our strong growth in first half 2022.

Storm clouds

While the industry has enjoyed a strong post-COVID rebound in the past 12 months, we are seeing storm clouds forming on the horizon, and brands and retailers have turned very conservative in placing future orders.

There is a perfect storm facing the western consumers. Food and gasoline inflation has reduced appetite for discretionary spending such as apparel. Interest rate rises and higher mortgage payments, along with the end of government handouts, mean less disposable income. The weak financial markets have resulted in the reverse wealth effect, so consumers are psychologically less prone to spend. Frequent talk of recession has not helped.

If the world tips into recession, China is probably not in position to buck the trend like it did in the global financial crisis in 2008. China’s frequent and unpredictable lockdowns have drastically slowed economic growth, and unless there is a change in China’s COVID policy, it is hard to see economic activity and consumer demand rebounding.

Finding opportunity in danger

In 2020, the most disastrous year for the apparel industry in living memory, Lever Style was able to acquire three businesses at reasonable terms. These acquisitions set the foundation of our recent outsized growth.

If the consumer sees strong headwinds in the foreseeable future, the industry will face tough times again. And as apparel production quickly moves away from China, apparel suppliers that rely on China production in particular will face even harder times. Such pessimism makes some business owners more open to parking their businesses with ours, creating an environment for us to acquire businesses at reasonable valuations.

Adding digital experience and diversity to the Board

Since January 2022, three of our non-executive directors – Mr. AUYANG Pak Hong Bernard, Mr. LEE Shing Tung Tommy and Mr. Jonathan Lee SELIGER – have retired from our board. They have made tremendous contributions over the years, and their input and advice will be sorely missed.

As we head down the digital transformation journey, we are adding professionals with digital transformation experience to guide us from the board level. Joining our board on 3 May 2022 is Ms. KESEBI Lale, an industry veteran who was deeply involved in Li & Fung’s earlier digitalization efforts. Having just joined our board in early August 2022 is Mr. LIU Gary, who recently stepped down as the chief executive officer of South China Morning Post Publishers Limited, where he drove the digital transformation of this 100+ year old newspaper over the previous 5 years.

Lastly, I would like to use this opportunity to thank our team members, our customers and our supply partners for allowing us to achieve our strong first half 2022 results.

Financial Review

Revenue

Revenue of the Group increased by approximately 65.7% from approximately US\$58.4 million in the first half of 2021 to approximately US\$96.7 million during the six months ended 30 June 2022 (“Period Under Review”). The increase reflected (1) the continuation of the post-COVID rebound in the West’s apparel demand; (2) our success at winning new customers; and (3) our market share growth in our customers’ procurement mix, which is due to our industry-leading product range and our ability to cater to new retail’s needs for flexibility in speed, order quantities and country of origin. Revenue was derived from the supply of multi-category apparel products to our customers with product development through production management to distribution logistics.

Cost of sales

Our cost of sales mainly comprises material costs and subcontracting fees. Cost of sales increased by approximately 69.9% from approximately US\$41.3 million in the first half of 2021 to approximately US\$70.1 million during the Period Under Review. Cost of sales as a percentage of total revenue increased from approximately 70.7% in the first half of 2021 to 72.5% during the Period Under Review, reflecting inflation and supply chain disruption impact which caused price increase in both material cost and subcontracting cost.

Gross profit and gross profit margin

Our gross profit increased from approximately US\$17.1 million in the first half of 2021 to approximately US\$26.6 million during the Period Under Review, representing an increase of approximately 55.5%, along with the business growth. Gross profit margin decreased from approximately 29.3% in the first of 2021 to approximately 27.5% in the first half of 2022, which was mainly due to (i) inflation and price pressure in supply chain disruptions in Asia, especially on digitally native customers; and (ii) portion drop of Landed Duty Paid business.

Profit for the Period Under Review

The Group recorded a net profit of approximately US\$5.1 million for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately US\$1.7 million). The increase in profit for the period is mainly attributable to the following factors:

- the continuation of the post-COVID rebound in the West’s apparel demand;
- our success at winning new customers; and
- our market share growth in our customers’ procurement mix, which is due to our industry-leading product range and our ability to cater to new retail’s needs for flexibility in speed, order quantities and country of origin.

Liquidity and Financial Resources

The Group continued to maintain a healthy financial position. Bank balances and cash of the Group as at 30 June 2022 were approximately US\$24.0 million (at 31 December 2021: US\$19.9 million). As at 30 June 2022, the Group had net current assets of approximately US\$31.5 million. The current ratio maintained at approximately 1.6 times as at both 30 June 2022 and 31 December 2021.

The Group obtained bank facilities to fulfil our working capital requirements and to finance our purchase of raw materials and payments to contract manufacturers. As at 30 June 2022, the Group had available banking facilities of approximately US\$54.3 million. Out of the total available banking facilities, we had unutilized banking facilities amounted for approximately US\$17.3 million. The amount of available bank facilities is considered sufficient for the Group's operation.

Gearing Ratio

Equity attributable to the Company amounted to approximately US\$38.5 million at 30 June 2022 (31 December 2021: US\$35.8 million). As at 30 June 2022, the gearing ratio of the Group was approximately 73.4% (31 December 2021: 68.6%). Gearing ratio is calculated based on the total debts (bank borrowings) divided by the total equity at the end of the period.

With the favorable bank balances and cash position of the Group, it has led to a net debt to equity ratio (total debts net of cash and bank balances divided by total equity at end of period) of approximately 11.0% in 2022 (31 December 2021: 13.2%).

Contingent Liabilities

As at 30 June 2022, the Group had no material contingent liability (31 December 2021: Nil).

Employees and Remuneration

As at 30 June 2022, the Group employed a total of 329 full-time employees (31 December 2021: 341 employees). For the six months ended 30 June 2022, the aggregate remuneration of the Group's employees (including Directors' remuneration) amounted to approximately US\$8.1 million (six months ended 30 June 2021: US\$6.0 million), representing an increase of approximately 33.7%.

The Company recognises that employees are one of the Group's most important assets. The Company strongly believes in hiring the right talent, nurturing and retaining them. The Group remunerates its staff according to their performance, qualifications and industry practices, and conducts regular reviews of its remuneration policy. Employees may receive bonuses and monetary rewards based on their performance and ratings in annual performance appraisals. The Group also offers rewards or other incentives to motivate the personal growth and career

development of employees. The Company adopted the share option scheme and the share award scheme with the objectives to recognise contributions made by the eligible employees, to motivate career development and to retain the eligible employees for the continual operation, growth and future development of the Group. Please see the paragraph headed “Share Option Scheme” and “Co-ownership Share Award Scheme” below for details.

Future Plans for Material Investments or Capital Assets and the Expected Sources of Funding

Save for the business plan disclosed in our prospectus dated 31 October 2019 or elsewhere in this interim report, there is no other plan for material investments or capital assets as at the date of this report.

Foreign Currency Exposure

The Group’s reporting and functional currency is US\$ whilst some of the Group’s business transactions are denominated in various other currencies, primarily Renminbi and HK\$. Foreign currency exchange contracts are used to manage foreign currency exposure. The Group’s policy is to monitor its foreign currency exposure and use foreign currency exchange contracts as appropriate, to minimise its foreign currency risks.

Events Occurred after 30 June 2022

There was no event after 30 June 2022 that required to be disclosed.

Pledge of Assets

As at 30 June 2022, pledge of assets of the Group are set out in Note 19 to the unaudited condensed consolidated financial statements.

Significant Investments Held

No significant investments had been made by the Group for the Period Under Review were required to be disclosed.

Material Acquisition or Disposal of Subsidiaries, Associates and Joint Ventures

The Group had not conducted any substantial acquisition or disposal of subsidiaries, associates or joint ventures that were required to be disclosed during the Period Under Review.

Capital Commitments

As at 30 June 2022, capital commitments of the Group are set out in Note 18 to the unaudited condensed consolidated financial statements.

Other Information

Communication with Shareholders

The Company's 2022 Annual General Meeting (the "AGM") was held on 10 June 2022. All resolutions at the 2022 AGM were passed by way of a poll and the poll results were posted on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company on the same day.

Interim Dividend

No interim dividend was proposed by the Board for the six months ended 30 June 2022.

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 June 2022, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities.

Board of Directors

At 30 June 2022, the composition of the Board is:

Executive directors

Mr. Szeto Chi Yan Stanley (*Chairman*)

Dr. Chan Yuk Mau Eddie (*CEO*)

Mr. Lee Yiu Ming

Non-executive director

Mr. Jonathan Lee Seliger (Resigned on 15 July 2022)

Independent non-executive directors

Mr. See Tak Wah

Mr. Lee Shing Tung Tommy (Resigned on 1 August 2022)

Mr. Andersen Dee Allen

Ms. Kesebi Lale (Appointed on 3 May 2022)

Mr. Liu Gary has been appointed as an independent non-executive Director of the Company on 1 August 2022. Saved as disclosed above, there is no other change in the information of Directors during the six months ended 30 June 2022 and up to the date of this report, which is required to be disclosed pursuant to the Rule 13.51(B) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Board Committees

At 30 June 2022, the composition of the board committees remains the same as that set out in the announcement made by the Company on 3 May 2022.

Senior Management

At 30 June 2022, the composition of the senior management of the Company remains the same as that set out in the 2021 annual report of the Company.

Continuing Professional Development

To assist the Directors and the executives in continuing their professional development, each of the Directors has been from time to time provided materials on the subject of corporate governance, including the Company's master policies which might be relevant to their roles, duties and functions as a director of a listed company.

Share Option Scheme

The Company operates a share option scheme (the "Share Option Scheme"), which was adopted on 12 October 2019 (the "Adoption Date"), for the purpose of providing incentives or rewards to selected eligible participants for their contribution to the Group. Unless otherwise cancelled or amended, the Share Option Scheme will remain in force for 10 years from the Adoption Date.

There has been no movement in the Share Option Scheme during the Period Under Review.

Co-ownership Share Award Scheme

The Company operates a co-ownership share award scheme (the "Share Award Scheme"), which was adopted on 27 October 2021 (the "Share Award Scheme Adoption Date"), for the purpose of recognizing and rewarding the contributions of certain eligible persons for the growth and development of the Group and providing them with incentives in order to retain them for the continual operation, development and long term growth of the Group and to attract suitable personnel for further development of the Group. Subject to any early termination as may be determined by the award committee pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of ten years commencing from Share Award Scheme Adoption Date.

During the Period Under Review, 1,000,000 ordinary shares of the Company have been purchased from the open market by the trustee of the Share Award Scheme pursuant to the Scheme.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company and its Associated Corporations

As at 30 June 2022, the interests and short positions of the Directors and/or chief executives of the Company in any shares of the Company (the "Shares"), underlying Shares and debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (cap. 571) (the "SFO")) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO), or which are required, pursuant to Section 352 of Part XV of the SFO, to be entered in the register kept by the Company, or which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors (the "Model Code") are as follows:

Interests in Shares of the Company

Name of Director	Capacity/Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding in the Company (Note 2)
Mr. Szeto Chi Yan Stanley ("Mr. Szeto")	Interest of controlled corporation (Note 3)	323,836,000 (L)	50.67%
Ms. Che Huey Sze Denise	Interest of controlled corporation (Note 4)	323,836,000 (L)	50.67%
Mr. Jonathan Lee Seliger ("Mr. Seliger")	Beneficial owner (Note 6)	25,600,000 (L)	4.01%
Ms. Lisa Li-Seliger	Beneficial owner (Note 5)	25,600,000 (L)	4.01%
Dr. Chan Yuk Mau Eddie ("Dr. Chan")	Beneficial owner	24,000,000 (L)	3.76%
Ms. Lee Wing Yuen Ida	Beneficial owner (Note 7)	24,000,000 (L)	3.76%
Mr. Lee Yiu Ming ("Mr. Lee")	Beneficial owner	14,400,000 (L)	2.25%
Ms. Yiu Chui Ping	Beneficial owner (Note 8)	14,400,000 (L)	2.25%

Notes:

- The Letter "L" denotes the person's long position in the relevant Shares.
- This is calculated based on the 639,100,000 Shares in issue as at 30 June 2022.
- Lever Style Holdings is wholly-owned by Imaginative Company Limited. Imaginative Company Limited is wholly-owned by Mr. Szeto. Accordingly, Mr. Szeto, Imaginative Company Limited are interested in 323,836,000 Shares.
- Ms. Che Huey Sze Denise is the spouse of Mr. Szeto and was therefore deemed to be interested in the 323,836,000 shares held by Mr. Szeto in note 2 above.
- Ms. Lisa Li-Seliger is the spouse of Mr. Seliger and was interested in 19,200,000 shares. Mr. Seliger was therefore deemed to be interested in the 19,200,000 shares held by Ms. Lisa Li-Seliger.

6. Mr. Seliger was granted share options on 1 June 2021 under the Share Option Scheme adopted by the Company on 12 October 2019, to subscribe for a total of 6,400,000 ordinary shares of HK\$0.01 each in the share capital of the Company, and was therefore deemed to be interested in 6,400,000 shares. As at 30 June 2022, the 6,400,000 share options were not exercised.
7. Ms. Lee Wing Yuen Ida is the spouse of Dr. Chan and was therefore deemed to be interested in the 24,000,000 Shares held by Dr. Chan.
8. Ms. Yiu Chui Ping is the spouse of Mr. Lee and was therefore deemed to be interested in the 14,400,000 Shares held by Mr. Lee.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 June 2022, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company), who have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, are as follows:

Name of Shareholder	Capacity/Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding in the Company (Note 2)
Imaginative Company Limited	Interest of controlled corporation (Note 3)	323,836,000 Shares (L)	50.67%
Lever Style Holdings	Beneficial owner (Note 3)	323,836,000 Shares (L)	50.67%
Fung Trinity Holdings Limited	Beneficial owner (Note 4)	51,000,000 Shares (L)	7.98%
KCI Limited	Interest of controlled corporation (Note 4)	51,000,000 Shares (L)	7.98%
Fung Capital Limited	Interest of controlled corporation (Note 4)	51,000,000 Shares (L)	7.98%
Fung Investments Limited	Interest of controlled corporation (Note 4)	51,000,000 Shares (L)	7.98%
King Lun Holdings Limited	Interest of controlled corporation (Note 4)	51,000,000 Shares (L)	7.98%
Poolside Ventures Limited	Beneficial owner (Note 5)	32,992,000 Shares (L)	5.16%

Notes:

1. The Letter "L" denotes the person's long position in the relevant Shares.
2. This is calculated based on the 639,100,000 Shares in issue as at 31 December 2022.
3. Lever Style Holdings is wholly owned Imaginative Company Limited. Imaginative Company Limited is in turn wholly-owned by Mr. Szeto. Accordingly, Mr. Szeto and Imaginative Company Limited are interested in 323,836,000 Shares for the purpose of SFO.

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4. Fung Trinity Holdings Limited is wholly-owned by KCI Limited. The entire voting rights of KCI Limited is owned by Fung Capital Limited. Fung Capital Limited is wholly-owned by Fung Investments Limited which is wholly-owned by King Lun Holdings Limited, which is legally owned as to 50.0% and 50.0% by Dr. William Fung Kwok Lun and HSBC Trustee (CI) Limited respectively, being the trustee of a family trust established for the family of Dr. Victor Fung Kwok King.
 5. Poolside Ventures Limited is a cornerstone investor.

Save as disclosed above, no other interest or short position in the Shares and underlying Shares of the Company were recorded in the register required to be kept under section 336 of the SFO as at 30 June 2022.

Corporate Governance

The Board and the management of the Group are committed to the maintenance of good corporate governance practices and procedures. The Company has adopted the code provisions in the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to Listing Rules as its own code of corporate governance. The Board has reviewed the Company’s corporate governance practices and is satisfied that the Company has been in compliance with all code provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules during the Period Under Review.

Model Code for Securities Transactions by Directors

The Group has adopted the Model Code for Securities Transactions by directors of Listing Issuers (the “Model Code”) set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors’ securities transactions. Upon specific enquiries being made of all Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code during the Period Under Review. The Group has established written guidelines for relevant employees in respect of securities transactions. No incident of non-compliance with the written guidelines was noted during the Period Under Review.

Audit Committee

The Company has established an Audit Committee on 12 October 2019 in compliance with the CG Code with written terms of reference. As at the date of this report, the Audit Committee has four members, namely Mr. See Tak Wah, Mr. Andersen Dee Allen, Ms. Kesebi Lale and Mr. Liu Gary, all of whom are independent non-executive Directors. Mr. See Tak Wah is the chairman of the Audit Committee and possesses the appropriate professional qualifications. The primary duties of the Audit Committee are to oversee the financial reporting system and internal control system of the Group, oversee the audit process, review and oversee the existing and potential risks of the Group and perform other duties and responsibilities as assigned by the Board. For the six months ended 30 June 2022, the Audit Committee met the independent auditors to discuss their findings during the audit of the consolidated financial statements for the year ended 31 December 2021. The Audit Committee reviewed the actions taken by management to address the findings and was satisfied with the work done. The Audit Committee also reviewed the work of the Internal Audit in examining the application of policies and internal controls in specific locations within the Group and was satisfied with the quality of the work undertaken. Nothing of a material nature was revealed and the Audit Committee proposed to the Board a small number of actions to strengthen compliance further that were adopted and are being implemented.

The Audit Committee has reviewed, together with the management of the Group, the accounting principles and policies adopted by the Group and discussed with them the unaudited condensed consolidated financial statements and interim results announcement of the Group for the six months ended 30 June 2022, recommending their adoption by the Board.

Remuneration Committee

The Company has established a Remuneration Committee on 12 October 2019 in compliance with the CG Code with written terms of reference. As at the date of this interim report, the Remuneration Committee has five members, Mr. Andersen Dee Allen (an independent non-executive Director), Mr. See Tak Wah (an independent non-executive Director), Mr. Szeto Chi Yan Stanley (an executive Director), Ms. Kesebi Lale (an independent non-executive Director) and Mr. Liu Gary (an independent non-executive Director). Mr. Andersen Dee Allen is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish, review and make recommendations to the Board on our Company's policy and structure concerning remuneration of the Directors and senior management, on the diversity policy of the Board and senior management, on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

Nomination Committee

The Company has established a Nomination Committee on 12 October 2019 in compliance with the CG Code with written terms of reference. As at the date of this interim report, the Nomination Committee has five members, Mr. Szeto Chi Yan Stanley (an executive Director), Mr. See Tak Wah (an independent non-executive Director), Mr. Andersen Dee Allen (an independent non-executive Director), Ms. Kesebi Lale (an independent non-executive Director) and Mr. Liu Gary (an independent non-executive Director). Mr. Szeto Chi Yan Stanley is the chairman of Nomination Committee. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board; assess the independence of the independent non-executive Directors and make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors. Recommend to the Board suitably qualified persons to become a member of the Board and to review the structure, size, composition of the Board and board diversity on a regular basis and as required.

Risk Management and Internal Control

The main features of the risk management and internal control systems are to provide a clear governance structure, policies and procedures, as well as reporting mechanism to facilitate the Group to manage its risks across business operations.

The Group has established a risk management framework, which consists of the Board, the Audit Committee and its senior managerial personnel. The Board determines the nature and extent of risks that shall be taken in achieving the Group's strategic objectives, and has the overall responsibility for monitoring the design, implementation and the overall effectiveness of risk management and internal control systems.

The Group has implemented procedures for identifying and managing risks in accordance with its operation manual ("Operation Manual"). The Operation Manual sets out directions in identifying, evaluating and managing significant risks. At least on an annual basis, the senior managerial personnel identifies risks that would adversely affect the achievement of the Group's objectives, and assesses and prioritizes the identified risks according to a set of standard criteria. Risk mitigation plans and risk owners are then established for those risks considered to be significant.

In addition, the Group has set up an internal audit function to assist the Board and the Audit Committee with ongoing evaluation and monitoring of the risk management and internal control systems of the Group. Deficiencies in the design and implementation of internal controls are identified and recommendations are proposed for improvement. Significant internal control deficiencies are reported to the Audit Committee and the Board on a timely basis to ensure prompt remediation actions are taken.

For the Period Under Review, two interim internal audit reports rendered by the internal auditor have been submitted to and reviewed by the Audit Committee and the Board. The review on the effectiveness of the Group's risk management and internal control systems included, among other things, the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's assessment on risk management and internal control systems; the extent and frequency of communication with the Board in relation to results of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems are effective.

The risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2022

	NOTES	Six months ended 30 June	
		2022 US\$ (Unaudited)	2021 US\$ (Unaudited)
Revenue	4	96,738,295	58,390,044
Cost of sales		(70,102,854)	(41,257,322)
Gross profit		26,635,441	17,132,722
Other income	5	212,426	104,337
Other gains and losses		(91,613)	(59,351)
Impairment loss on trade receivables under credit loss model		(262,226)	–
Selling and distribution expenses		(11,648,314)	(8,835,424)
Administrative expenses		(8,292,126)	(5,993,002)
Finance costs		(469,340)	(275,867)
Profit before tax		6,084,248	2,073,415
Income tax expense	6	(1,017,260)	(356,521)
Profit for the period	7	5,066,988	1,716,894
Other comprehensive (expense)/ income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(326,875)	39,045
Total comprehensive income for the period		4,740,113	1,755,939
Earnings per share (US cents)	9		
– basic		0.79	0.27
– diluted		0.79	0.27

Condensed Consolidated Statement of Financial Position

At 30 June 2022

	NOTES	At 30 June 2022 US\$ (Unaudited)	At 31 December 2021 US\$ (Audited)
Non-current assets			
Plant and equipment	10	1,974,652	2,165,596
Right-of-use assets	11	2,633,478	3,211,860
Intangible assets		4,896,292	5,119,030
Deposit paid for plant and equipment		3,652	21,675
Deferred tax assets		151,320	156,080
		9,659,394	10,674,241
Current assets			
Inventories		22,462,208	20,474,856
Trade and bills receivables	12	13,131,652	11,866,641
Trade receivables at fair value through other comprehensive income	13	6,543,096	6,369,640
Deposits, prepayments and other receivables		20,238,082	17,249,049
Derivative financial assets		–	54,682
Tax recoverable		43,150	44,982
Bank balances and cash		24,028,223	19,866,056
		86,446,411	75,925,906
Current liabilities			
Trade and bills payables	14	17,491,759	16,230,329
Other payables and accruals		3,162,174	3,336,590
Contract liabilities		2,448,546	1,811,234
Lease liabilities		837,485	838,084
Dividend payable		957,903	–
Derivative financial liabilities		84,181	–
Tax payables		1,676,821	711,442
Bank borrowings	15	28,265,522	24,599,562
		54,924,391	47,527,241
Net current assets		31,522,020	28,398,665
Total assets less current liabilities		41,181,414	39,072,906

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2022

	NOTES	At 30 June 2022 US\$ (Unaudited)	At 31 December 2021 US\$ (Audited)
Non-current liabilities			
Lease liabilities		2,104,825	2,644,250
Other payables		482,000	482,000
Deferred tax liabilities		72,439	103,186
		2,659,264	3,229,436
		38,522,150	35,843,470
Capital and reserves			
Share capital	16	820,640	820,640
Reserves		37,701,510	35,022,830
		38,522,150	35,843,470

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Share capital US\$	Share premium US\$	Merger reserve US\$	Statutory reserve US\$ (Note i)	Share-based payments reserve US\$	Share held for share- award scheme US\$	Exchange reserve US\$	Retained profits US\$	Total US\$
At 1 January 2021 (Audited)	820,640	26,393,444	(13,295,621)	261,124	-	-	(332,872)	17,525,672	31,372,387
Loss for the period	-	-	-	-	-	-	-	1,716,894	1,716,894
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	39,045	-	39,045
Total comprehensive income for the period	-	-	-	-	-	-	39,045	1,716,894	1,755,939
At 30 June 2021 (Unaudited)	820,640	26,393,444	(13,295,621)	261,124	-	-	(293,827)	19,242,566	33,128,326
At 1 January 2022 (Audited)	820,640	26,393,444	(13,295,621)	337,764	35,865	-	(215,531)	21,766,909	35,843,470
Profit for the period	-	-	-	-	-	-	-	5,066,988	5,066,988
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	(326,875)	-	(326,875)
Total comprehensive income for the period	-	-	-	-	-	-	(326,875)	5,066,988	4,740,113
Dividend recognised as distribution	-	-	-	-	-	-	-	(2,033,129)	(2,033,129)
Recognition of equity – settled share base payment	-	-	-	-	28,120	-	-	-	28,120
Share held for share award scheme	-	-	-	-	-	(56,424)	-	-	(56,424)
At 30 June 2022 (Unaudited)	820,640	26,393,444	(13,295,621)	337,764	63,985	(56,424)	(542,406)	24,800,768	38,522,150

Note:

- (i) According to the relevant laws of the People's Republic of China (the "PRC"), the Company's subsidiaries established in the PRC have to transfer 10% of their profits after taxation to the statutory reserve. The transfer to this reserve must be made before the distribution of a dividend to the equity owners. The transfer can cease when the balance of the reserve reaches 50% of the registered capital of the respective subsidiaries. The reserve can be applied either to set off accumulated losses or to increase capital.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 US\$ (Unaudited)	2021 US\$ (Unaudited)
OPERATING ACTIVITIES		
Profit before tax	6,084,248	2,073,415
Adjustments for:		
Finance costs	469,340	275,867
Interest income	(13,135)	(15,447)
Depreciation of plant and equipment	270,776	318,365
Depreciation of right-of-use assets	454,477	448,233
Amortization of intangible asset	222,738	–
Impairment loss on trade receivables under credit loss model	262,226	–
Share based payment expenses	28,120	–
Fair value loss on derivative financial assets/liabilities	138,863	–
Operating cash flow before movements in working capital	7,917,653	3,100,433
Increase in inventories	(2,029,628)	(4,250,365)
Increase in trade and bills receivables	(1,582,375)	(1,331,621)
(Increase)/Decrease in deposits, prepayments and other receivables	(3,104,122)	888,604
(Increase)/Decrease in trade receivables at FVTOCI	(173,456)	1,164,058
Increase in trade and bills payables	1,249,943	692,313
Decrease in other payables and accruals	(219,262)	(3,945)
Increase in contract liabilities	637,312	151,160
Cash generated from operations	2,696,065	410,637
Income tax paid	(75,320)	(86,083)
Income tax refund	3,033	–
NET CASH FROM OPERATING ACTIVITIES	2,623,778	324,554
INVESTING ACTIVITIES		
Purchase of plant and equipment	(121,317)	(544,973)
Interest received	13,135	15,447
NET CASH USED IN INVESTING ACTIVITIES	(108,182)	(529,526)

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 US\$ (Unaudited)	2021 US\$ (Unaudited)
FINANCING ACTIVITIES		
Purchase of shares held for share award scheme	(56,424)	–
New bank borrowings raised	8,153,389	2,619,245
Net addition (repayment) of trust receipt loans	2,861,242	(442,743)
Repayment of bank borrowings	(7,348,671)	(3,488,385)
Interest paid	(469,340)	(275,867)
Repayment of lease liabilities	(382,284)	(352,630)
Dividend paid	(1,075,226)	–
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	1,682,686	(1,940,380)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	4,198,282	(2,145,352)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	19,866,056	17,762,584
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(36,115)	10,213
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	24,028,223	15,627,445

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

1 General

Lever Style Corporation was incorporated in the Cayman Islands as an exempted company with limited liability on 27 February 2019. The addresses of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the principal place of business of the Company is Room 76, Flat A, 7/F, Wing Tai Centre, 12 Hing Yip Street, Kwun Tong, Kowloon.

Its immediate and ultimate holding company are Lever Style Holdings Limited (“Lever Style Holdings”) and Imaginative Company Limited respectively. The ultimate controlling shareholder of the Group is Mr. Szeto Chi Yan Stanley (“Mr. Szeto”) who has been the controlling shareholder of the Group (the “Controlling Shareholder”).

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 13 November 2019.

The condensed consolidated financial statements is presented in United States dollars (“US\$”), which is the same as the functional currency of the Company.

2 Basis of Preparation and Presentation of the Condensed Consolidated Financial Statements

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 (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

3 Principal Accounting Policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2021.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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

4 Revenue and Segment Information

The Group is principally engaged in providing supply chain solutions in multiple apparel categories for notable brands. The Group's revenue represents the amounts received and receivable from the sales of garment to external customers. All revenue is recognised at a point in time when the customers obtain control of goods delivered.

Information reported to Mr. Szeto, being the chief operating decision maker of the Company, in order to allocate resources and to assess performance, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment financial information is reviewed. Accordingly, no operating segment information is presented and only entity-wide disclosures as below are presented.

Types of goods

Set out below is the breakdown of revenue by apparel categories during the period:

	Six months ended 30 June	
	2022 US\$ (Unaudited)	2021 US\$ (Unaudited)
Bottoms	31,665,370	15,358,203
Shirts	20,254,490	15,431,855
Outerwear	18,600,712	14,446,156
Soft Woven	7,793,735	3,259,919
Suit	7,718,357	2,170,906
Knit	4,171,911	4,970,068
Sweater	2,307,634	1,348,897
Others	4,226,086	1,404,040
Total	96,738,295	58,390,044

4 Revenue and Segment Information (Continued)

Geographical information

Information about the Group's revenue from external customers is presented based on the home country (location of customers' headquarters) of customer's brands.

	Six months ended 30 June	
	2022 US\$ (Unaudited)	2021 US\$ (Unaudited)
United States of America	64,041,345	33,394,391
Europe	14,104,818	12,639,103
Greater China [#]	6,695,562	5,653,098
Oceania	6,073,397	2,967,346
Others	5,823,173	3,736,106
	96,738,295	58,390,044

[#] Greater China primarily includes the PRC, Hong Kong, Macau and Taiwan.

All of the Group's identifiable non-current assets are located in the PRC and Hong Kong.

5 Other Income

	Six months ended 30 June	
	2022 US\$ (Unaudited)	2021 US\$ (Unaudited)
Government grants	88,089	–
Claims received	30,152	73,123
Interests on bank deposits	13,226	15,447
Others	80,959	15,767
	212,426	104,337

6 Income Tax Expense

	Six months ended 30 June	
	2022 US\$ (Unaudited)	2021 US\$ (Unaudited)
Hong Kong Profits Tax:		
– Current tax	1,017,774	223,503
PRC Enterprise Income Tax (“EIT”)		
– Current tax	19,813	34,583
– Underprovision in prior years	5,660	13,989
Deferred tax	25,473 (25,987)	48,572 84,446
	1,017,260	356,521

Hong Kong Profits Tax for both periods is calculated at 16.5% of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. For this subsidiary, the first HK\$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Under the Law of the PRC on Enterprise Income tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The Group’s subsidiaries, 利華服飾智造(深圳)有限公司, is qualified as Small Low-profit Enterprises with annual taxable income less than Renminbi (“RMB”) 3 million for both periods. The portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 12.5% of taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 50% of taxable income amount, and be subject to enterprise income tax at 20% tax rate. 利華設計院(深圳)有限公司 is eligible for income tax rate at 15% under the corporate income tax policy, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone Enterprise Income Tax Preferential Catalogue for both periods.

Save as disclosed above, the Group is not subject to taxation in any other jurisdictions for both periods.

7 Profit for the Period

	Six months ended 30 June	
	2022 US\$ (Unaudited)	2021 US\$ (Unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration	1,154,145	595,079
Other staff costs		
– salaries and other allowances	6,000,677	4,652,308
– retirement benefit scheme contributions	926,635	795,010
Total staff costs	8,081,457	6,042,397
Auditor's remuneration	152,465	142,414
Cost of inventories as an expense	70,102,854	41,257,322
Depreciation of plant and equipment	270,776	318,365
Depreciation of right-of-use assets	454,760	448,233
Amortisation of intangible assets (included in selling and distribution expenses)	223,738	–
Expense relating to short-term leases	46,602	52,395

8 Dividends

	Six months ended 30 June	
	2022 US\$ (Unaudited)	2021 US\$ (Unaudited)
Final, declared, of HK2.5 cents per ordinary share for 2021 (2021: Nil)	2,033,129	–

The Board has not declared an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

9 Earnings per Share

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 30 June	
	2022 US\$ (Unaudited)	2021 US\$ (Unaudited)
Earnings:		
Profit for the purposes of calculating basic and diluted earnings per share	5,066,988	1,716,894
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	639,100,000	639,100,000

The computation of diluted earnings per share for the six months ended 30 June 2022 does not assume the exercise of the Company's share options because the exercise price of those options was higher than the average market price for shares for the current interim period.

10 Plant and Equipment

During the current interim period, the Group incurred total expenditure of approximately US\$139,000 (six months ended 30 June 2021: approximately US\$686,000) on the acquisition of property, plant and equipment.

11 Right-of-use Assets

During the current interim period, the additions to right-of-use assets were approximately US\$49,000 (six months ended 30 June 2021: Nil).

12 Trade and Bills Receivables

	At 30 June 2022 US\$ (Unaudited)	At 31 December 2021 US\$ (Audited)
Trade receivables – contracts with customers	13,570,853	11,942,123
Provision on trade receivables	(439,201)	(177,490)
	13,131,652	11,764,633
Bills receivables	–	102,008
	13,131,652	11,866,641

The Group allows credit period up to 65 days to its customers.

The following is an aged analysis of trade receivables presented based on the invoice dates at the end of each reporting period.

	At 30 June 2022 US\$ (Unaudited)	At 31 December 2021 US\$ (Audited)
0 to 30 days	12,364,894	8,219,497
31 to 60 days	640,891	2,127,706
Over 60 days	125,867	1,417,430
	13,131,652	11,764,633

13 Trade Receivables at Fair Value through Other Comprehensive Income

As part of the Group's cash flow and risk management, the Group has the practice of factoring certain trade receivables to financial institutions before the receivables are due for repayment. The factored trade receivables are derecognised on the basis that the Group has transferred substantially all the risks and rewards to the relevant counterparties. Accordingly, such trade receivables were under a business model which is held to collect contractual cash flows and to sell, and have been reclassified to trade receivables at FVTOCI.

The following is an aged analysis of trade receivables at FVTOCI presented based on the invoice dates at the end of each reporting period.

	At 30 June 2022 US\$ (Unaudited)	At 31 December 2021 US\$ (Audited)
0 to 30 days	6,542,657	5,887,562
31 to 60 days	439	482,078
	6,543,096	6,369,640

As at 30 June 2022, the Group has no debtors included in the Group's trade receivables at FVTOCI balances which are past due at the end of the interim period. As at 31 December 2021, debtors with aggregate carrying amount of US\$13,124, which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considered there has not been a significant change in credit quality and the balances are still considered fully recoverable due to the long term/on-going relationship and good repayment record from these customers. The Group does not hold any collateral over these balances.

14 Trade and Bills Payables

	At 30 June 2022 US\$ (Unaudited)	At 31 December 2021 US\$ (Audited)
Trade payables	17,491,759	15,917,895
Bills payables	–	312,434
	17,491,759	16,230,329

The credit period on trade payables is up to 60 days. All bills payables are with a maturity period of less than one year.

The following is an aged analysis of trade payables presented based on the invoice dates at the end of each reporting period.

	At 30 June 2022 US\$ (Unaudited)	At 31 December 2021 US\$ (Audited)
0 to 30 days	16,307,397	15,535,180
31 to 60 days	807,131	260,114
Over 60 days	377,231	122,601
	17,491,759	15,917,895

15 Bank Borrowings

During the six months ended 30 June 2022, the Group obtained new bank borrowings of US\$67,286,000 (six months ended 30 June 2021: US\$31,183,000) and repaid bank borrowings of US\$63,620,000 (six months ended 30 June 2021: US\$32,495,000). The bank borrowings of the Group carry interest at market rates ranging from 3.66% to 4.73% per annum (31 December 2021: 1.35% to 2.06% per annum).

16 Share Capital

	At 30 June 2022 US\$ (Unaudited)	At 31 December 2021 US\$ (Audited)
Issued and fully paid		
639,100,000 Ordinary shares of HK\$0.01 each	820,640	820,640

17 Share-based Payment

Share Option Scheme

The Company's Share Option Scheme was adopted pursuant to a resolution passed on 12 October 2019 for the primary purpose of providing incentives to directors and eligible employees, and will remain in force for 10 years from the Adoption Date.

As at 30 June 2022, the number of outstanding share options is 6,400,000. There has been no movement in the Share Option Scheme during the Period Under Review.

The closing price of the Company's shares immediately before 1 June 2021, the date of grant, was HK\$0.415. The fair values of the options determined at the date of grant using binomial model was HK\$908,958.

17 Share-based Payment (Continued)

Share Option Scheme (Continued)

The following assumptions were used to calculate the fair values of share options:

Assumptions	1st Tranche	2nd Tranche	3rd Tranche	4th Tranche
Valuation Date	1 June 2021	1 June 2021	1 June 2021	1 June 2021
Grant Date	1 June 2021	1 June 2021	1 June 2021	1 June 2021
Exercise Period Start Date	31 May 2022	31 May 2023	31 May 2024	31 May 2025
Exercise Period End Date	12 October 2029	12 October 2029	12 October 2029	12 October 2029
Time to Expiry (Years)	8.37	8.37	8.37	8.37
Time to Vest (Years)	1.00	2.00	3.00	4.00
No. of Share Options Vested	1,600,000	1,600,000	1,600,000	1,600,000
Stock Price (HK\$)	0.415	0.415	0.415	0.415
Exercise Price (HK\$)	0.415	0.415	0.415	0.415
Exercise Multiple	2.80	2.80	2.80	2.80
Volatility	50.00%	50.00%	50.00%	50.00%
Risk-Free Rate	1.00%	1.00%	1.00%	1.00%
Dividend Yield	5.80%	5.80%	5.80%	5.80%

The binomial model has been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the options. The value of an option varies with different variables of certain subjective assumptions.

The Group recognised the total expense of US\$28,120 (2021: Nil) for the Period Under Review in relation to share options granted by the Company.

Share Award Scheme

The Company operates a co-ownership share award scheme (the "Share Award Scheme"), which was adopted on 27 October 2021 for the purpose of recognizing and rewarding the contributions of certain eligible persons for the growth and development of the Group and providing them with incentives in order to retain them for the continual operation, development and long term growth of the Group and to attract suitable personnel for further development of the Group. A trustee, as an independent third party, was appointed by the Company for the administration of the Share Award Scheme. The trustee shall purchase the Company's shares from the market out of cash contributed by the Company and shall hold such shares in trust until they are vested to the participants in accordance to the rules of the Share Award Scheme.

1,000,000 shares have been purchased from the open market pursuant to the Scheme during the Period Under Review.

18 Capital Commitments

	At 30 June 2022 US\$ (Unaudited)	At 31 December 2021 US\$ (Audited)
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	41,206	10,465

19 Pledge of Assets

At the end of each reporting period, the following assets were pledged to secure the Group's bank borrowings:

	At 30 June 2022 US\$ (Unaudited)	At 31 December 2021 US\$ (Audited)
Motor vehicles	–	4,469
Bills receivables	–	102,008
	–	106,477

20 Related Party Transactions

- (a) During the six months ended 30 June 2021, the Group entered into the following transactions with a related party:

Name of related parties	Nature of transactions	Six months ended 30 June	
		2022 US\$ (Unaudited)	2021 US\$ (Unaudited)
Calman Limited*	Rental expenses	38,357	38,654

* The company is controlled by Mr. Bernard Szeto and Ms. Fong Tong, both are close family members of Mr. Szeto.

(b) Compensation of key management personnel

The remuneration of key management personnel which represents the directors of the Company and key executives of the Group during the interim period was as follows:

	Six months ended 30 June	
	2022 US\$ (Unaudited)	2021 US\$ (Unaudited)
Salaries and other allowances	488,487	485,352
Performance related bonus	467,759	62,361
Retirement benefit scheme contributions	3,836	3,865
	960,082	551,578

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

The remuneration of directors and key executives is determined having regard to the performance of individuals and market trends.

- (c) As at 30 June 2022, the Group did not have outstanding balances with related parties (31 December 2021: Nil).

21 Fair Value Measurements of Financial Instruments

This note provides information about how the Group determines fair values of financial assets and financial liabilities.

(i) Fair values of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and key inputs used).

	Fair value hierarchy at 30 June 2022		Fair value hierarchy at 31 December 2021		Valuation techniques and key inputs
	Level 2 US\$ (Unaudited)	Total US\$ (Unaudited)	Level 2 US\$ (Audited)	Total US\$ (Audited)	
Financial assets					
Trade receivables at FVTOCI	6,543,096	6,543,096	6,369,640	6,369,640	Note

Note: Discounted cash flow. Future cash flows are estimated based on a rate under factoring arrangement.

(ii) The management of the Group considers the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statement approximate their fair values.