

LEVER STYLE CORPORATION

利華控股集團

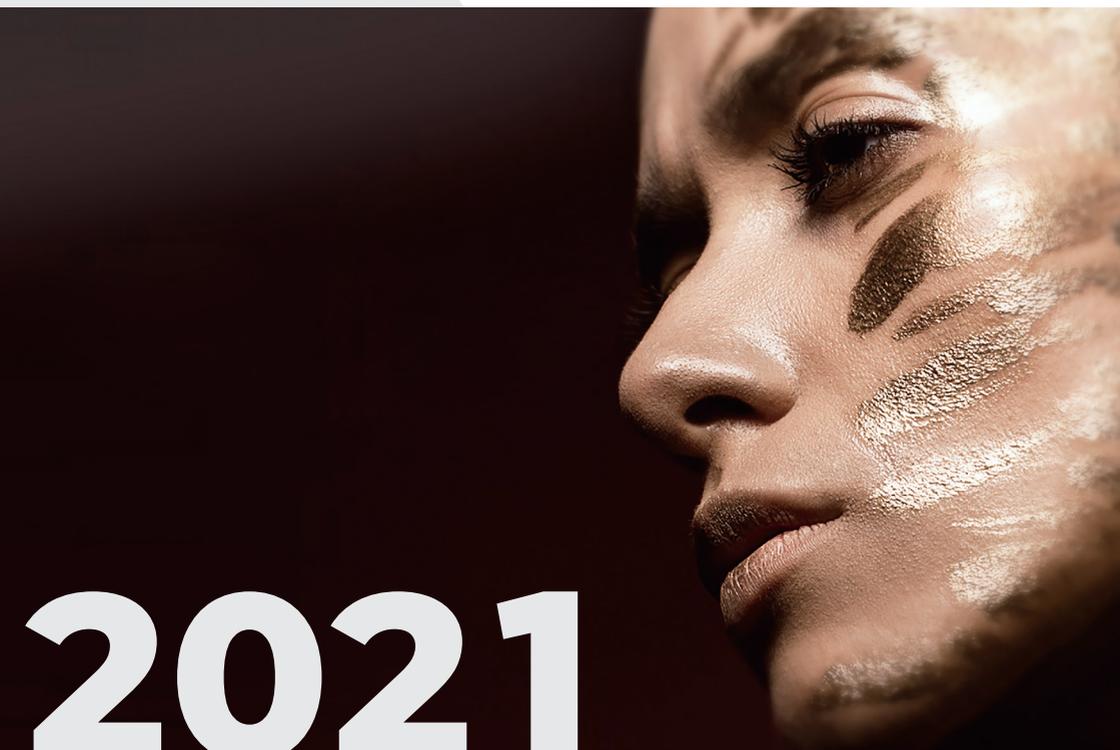
(Incorporated in the Cayman Islands with limited liability)

INTERIM REPORT

STOCK CODE: 1346

WWW.LEVERSTYLE.COM

THE APPAREL ENGINE FOR DIGITAL RETAIL



2021



 leverstyle

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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

Non-executive director

Mr. Kim William Pak

Independent non-executive directors

Mr. See Tak Wah
Mr. Auyang Pak Hong Bernard
Mr. Lee Shing Tung Tommy

Audit Committee

Mr. See Tak Wah (*Chairman*)
Mr. Auyang Pak Hong Bernard
Mr. Lee Shing Tung Tommy

Remuneration Committee

Mr. Auyang Pak Hong Bernard (*Chairman*)
Mr. See Tak Wah
Dr. Chan Yuk Mau Eddie

Nomination Committee

Mr. Lee Shing Tung Tommy (*Chairman*)
Mr. Auyang Pak Hong Bernard
Mr. See Tak Wah

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

Company Website

www.leverstyle.com

Stock Code

1346

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

Level 54 Hopewell Centre
183 Queen's Road East
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

Management Discussion and Analysis

Review and Future Prospects

The first half 2021 revenue of Lever Style Corporation (the “Company” or “Lever Style”, together with its subsidiaries, the “Group”) exceeded not just that of 2020 by a comfortable 57.2%, but also that of 2019 before COVID-19 rocked the world. We also returned to profitability.

Lever Style benefited from our 4 strategic acquisitions in the second half of 2020 and the first half of 2021. Without them, we would not have matched our 2019 first half revenues, and we would not be in the enviable position of having product capability across pretty much the entire wardrobe.

Pendulum swinging again

In early 2020, the East Asian supply chain disruption from COVID-19 gave way to a global collapse in apparel demand, culminating in widespread bankruptcies, and store and factory closures. Some argued that the developing world was facing a humanitarian crisis as buyers cancelled orders and delayed payment, leaving millions of sewing workers unpaid.

Starting in the second quarter of 2021, the pendulum is swinging again. With people in many countries returning to offices, taking holidays, and going out in general again, pent-up demand for fashion is being unleashed. Meanwhile, supply has failed to keep up with demand, as factory closures in the previous year and the on-going lockdowns in major apparel-producing countries in South-east and South Asia have greatly reduced capacity.

This supply shortage applies not only to apparel production but also to freight, resulting in the well-publicized container shortages and price spikes. This supply shortage in apparel production and freight capacities are causing input cost inflation and margin erosion across the entire apparel value chain. Assuming the reopening of major economies is not reversed by Delta and/or other COVID-19 variants, this supply shortage should continue for the rest of 2021.

While Lever Style is not immune to input cost inflation, our asset-light business model allows us to better navigate the supply shortage by moving production in and out of factories and even countries, thus enabling us to better fulfill our commitments to our customers.

Digitalization

In the past 18 months, Lever Style's management focus was on operating nimbly under the shadow of COVID-19 and side-stepping the many landmines that have plagued our industry and competitors. We have also taken advantage of the industry-wide downturn by having made four strategic acquisitions, positioning us for growth going forward. While we will continue to look for strategic acquisitions, we are also ramping up our efforts on digitalization.

A significant share of our revenues comes from digitally-native brands and platforms today. We are known in the industry as the product engine for digital retail, and our newest customer in this space is Shein, the Chinese cross-border ecommerce behemoth that is widely billed as the digital version of Zara.

With a growing portfolio of digitally native customers, we are in the ideal position to establish a digital apparel sourcing platform to better serve these innovative, fast-growing newcomers to the industry. We envision a day when sourcing apparel is as easy as calling an Uber.

Strengthening management

To drive digitalization and organic growth, Mr. Jonathan Seliger has been appointed as an executive Director, President and Chief Commercial Officer of the Company with effect from 26 August 2021. Jonathan has over 25 years of management experience in omnichannel luxury and fashion businesses in the Asia Pacific region, having previously been the managing director of Dunhill China and the president and chief executive officer of Coach Shanghai Limited in China. He also worked as the chief executive officer of Shanghai Naked Hub Business Management Consultation Co., Ltd* (上海裸心社企业管理咨询有限公司), a co-working space startup that was later sold to WeWork. Jonathan will be able to bring a distinct brandcentric perspective to the Company.

Feel-good Olympic success

Hong Kong has endured a tough couple of years, and the city's largest-ever medal haul at the 2021 Tokyo Olympics gave the city a much-needed psychological boost. One of the highest profile medalists was cyclist Sarah Lee Wai-Sze ("Sarah Lee"), the only Hong Kong athlete ever to win medals from multiple Olympic Games.

Lever Style's custom activewear brand Champion System developed Sarah Lee's race suit using Hong Kong University of Science and Technology's wind tunnel, helping her slipstream to a bronze medal. Champion System developed and made all of Sarah Lee's race suits that powered her to win bronze at the 2012 London Olympics, her 3 UCI Track Cycling World Championship crowns, 5 Asian Games medals, and 19 Asian Championship titles.

* For identification purposes only

Financial Review

Revenue

Revenue of the Group increased by approximately 57.2% from approximately US\$37.1 million in the first half of 2020 to approximately US\$58.4 million during the Period Under Review. The increase reflected expanded business after four strategic asset acquisition deals in the second half of 2020 and first half of 2021, and the rebound from negative impact of COVID-19 in 2020 on brands and retailers, especially brick-and-mortar brands. Revenue was derived from the supply of multi-category apparel products to our customers with product development through production management to distribution logistics. Set out below is the breakdown of revenue by customer type:

	Six months ended 30 June			
	2021		2020	
	US\$'000	%	US\$'000	%
Digitally native	20,554	35.2	16,839	45.3
Conventional	37,836	64.8	20,297	54.7
Total	58,390	100.0	37,136	100.0

Our revenue generated from digitally native customers increased from approximately US\$16.8 million to approximately US\$20.6 million during the Period Under Review when compared to the corresponding period in 2020, representing a growth of approximately 22.1%. The increase was mainly owing to economic rebound from COVID-19's negative impact on both retail brands and supply chain.

Revenue generated from conventional customers increased from approximately US\$20.3 million to approximately US\$37.8 million during the Period Under Review when compared to the corresponding period in 2020, representing a significant increase of approximately 86.4%, while the contribution of the total revenue from conventional customers increased from approximately 54.7% to approximately 64.8% during the Period Under Review when compared to the corresponding period in 2020. Such increase was mainly attributable by two asset acquisition transactions in the second half of 2020 in relation to the production of sweater and technical outerwear for well-known worldwide brands, which enabled the Group to expand our apparel product portfolio and business.

Cost of sales

Our cost of sales mainly comprises material costs and subcontracting fees. Cost of sales increased by approximately 55.1% from approximately US\$26.6 million in the first half of 2020 to approximately US\$41.3 million during the Period Under Review. Cost of sales as a percentage of total revenue decreased from approximately 71.6% in the first half of 2020 to 70.7% during the Period Under Review, benefiting from our continuous effort in optimizing supplier pool and cost control.

Gross profit and gross profit margin

Our gross profit and gross profit margin increased from approximately US\$10.5 million and 28.4% in the first half of 2020 to approximately US\$17.1 million and 29.3% during the Period Under Review, representing an increase of approximately 62.5% and 0.9% respectively, which was mainly attributable to our continuous effort in expansion into new product categories and optimization of both customer and supplier portfolio during industry rebound from COVID-19. Set out below is the breakdown of gross profit and gross profit margin by customer type:

	Six months ended 30 June			
	2021		2020	
	Gross profit US\$'000	Gross profit margin %	Gross profit US\$'000	Gross profit margin %
Digitally native	7,496	36.3	5,766	34.2
Conventional	9,637	25.5	4,775	23.5
Total	17,133	29.3	10,541	28.4

Gross profit margin of digitally native brands increased from approximately 34.2% in the first half of 2020 to approximately 36.3% during the Period Under Review, while conventional customers' gross profit margin increased 2% from 23.5% to 25.5% during the Period Under Review compared to the corresponding period in 2020.

Profit for the Period Under Review

The Group recorded a net profit of approximately US\$1.7 million for the six months ended 30 June 2021 (six months ended 30 June 2020: loss of US\$2.2 million). The profit for the period is mainly attributable to the following factors:

- the increase in volume of business as a result of the four strategic acquisitions completed by the Group in the second half of 2020 and in the first half of 2021;
- the recovery from reduced orders received by the Group due to the COVID-19 pandemic in the first half of 2020.

Liquidity and Financial Resources

The Group maintains a healthy financial position. Cash and cash equivalents of the Group as at 30 June 2021 were approximately US\$15.6 million (at 31 December 2020: US\$17.8 million). As at 30 June 2021, the Group had net current assets of approximately US\$28.7 million. The current ratio as at 30 June 2021 was approximately 2.1 times whilst it was approximately 2.0 times for 2020.

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 2021, the Group had available banking facilities of approximately US\$39.4 million. Out of the total available banking facilities, we had unutilized banking facilities amounted for approximately US\$22.5 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\$33.1 million at 30 June 2021 (31 December 2020: US\$31.4 million). As at 30 June 2021, the gearing ratio of the Group was approximately 38.1% (31 December 2020: 44.5%). 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 cash and cash equivalents 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 -9.0% in 2021 (31 December 2020: -12.2%).

Use of Proceeds from the IPO

Net proceeds from the issue of new shares of the Company for the IPO amounted to approximately HK\$105 million, after deducting related share issuance expenses of approximately HK\$31 million.

As at 30 June 2021

For the period from the Listing Date to 30 June 2021, the Group had utilized approximately HK\$80.5 million of the proceeds for acquisitions, B2B online platform and digitalization projects, the repayment of debts, and general working capital. Unutilized net proceeds as at 30 June 2021 were deposited in licensed banks. The Directors intend to utilize the remaining net proceeds as at 30 June 2021 in the manner disclosed in the Prospectus by 2021. The expected timeline to use the unutilized proceeds as at 30 June 2021 is set out below:

Category	Date	Description	Amount HK\$ million
Acquisitions	December 2021	Expansion into additional apparel categories	21.5
Capital investment	December 2021	B2B online platform and digitalization	3.0
		Total	24.5

As at 31 December 2020

As at 31 December 2020, the unutilized net proceeds amounted to approximately HK\$41.6 million. The then expected timeline to use the unutilized proceeds as at 31 December 2020 is set out below:

Category	Date	Description	Amount HK\$ million
Acquisitions	December 2021	Expansion into additional apparel categories	35.7
Capital investment	December 2021	B2B online platform and digitalization	5.9
		Total	41.6

Contingent Liabilities

As at 30 June 2021, the Group had no material contingent liability (31 December 2020: Nil).

Employees and Remuneration

As at 30 June 2021, the Group employed a total of 335 full-time employees (31 December 2020: 304 employees). For the six months ended 30 June 2021, the aggregate remuneration of the Group's employees (including Directors' remuneration) amounted to approximately US\$6.0 million (six months ended 30 June 2020: US\$6.5 million), representing a decrease of approximately 6.8%.

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 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" below for details.

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

Save for the business plan disclosed in the Prospectus 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\$. The Group currently does not have a foreign currency hedging policy. However, the management of the Group closely monitors foreign exchange exposure to ensure appropriate measures are implemented on a timely and effective manner.

Events Occurred after 30 June 2021

There was no event after 30 June 2021 that required to be disclosed.

Pledge of Assets

As at 30 June 2021, 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

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 2021, 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 2021 Annual General Meeting (the "AGM") was held on 11 June 2021. All resolutions at the 2021 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 2021.

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 June 2021, 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 2021, 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. Kim William Pak

Independent non-executive directors

Mr. See Tak Wah

Mr. Auyang Pak Hong Bernard

Mr. Lee Shing Tung Tommy

There is no change in the information of Directors during the six months ended 30 June 2021 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 2021, the composition of the board committees remains the same as that set out in the 2020 annual report of the Company.

Senior Management

At 30 June 2021, the composition of the senior management of the Company remains the same as that set out in the 2020 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.

On 1 June 2021, 6,400,000 share options were granted to an eligible person, being the Head of Sales of the Group.

Save as disclosed above, there has been no other movement in the Share Option Scheme during the Period Under Review.

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 2021, 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)	317,436,000 (L)	49.67%
Ms. Che Huey Sze Denise	Interest of controlled corporation (Note 4)	317,436,000 (L)	49.67%
Dr. Chan Yuk Mau Eddie ("Dr. Chan")	Beneficial owner	24,000,000 (L)	3.76%
Ms. Lee Wing Yuen Ida	Beneficial owner (Note 5)	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 6)	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 2021.
- Lever Style Holdings is beneficially owned as to 14.0% and 86.0% by Ms. Fong Tong and Imaginative Company Limited. Imaginative Company Limited is wholly-owned by Mr. Szeto. Accordingly, Mr. Szeto, Imaginative Company Limited and Ms. Fong Tong are interested in 317,436,000 Shares.
- Ms. Che Huey Sze Denise is the spouse of Mr. Szeto and was therefore deemed to be interested in the 317,436,000 shares held by Mr. Szeto in note 2 above.
- 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.
- 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 2021, 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 Director	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)	317,436,000 (L)	49.67%
Lever Style Holdings	Beneficial owner (Note 3)	317,436,000 (L)	49.67%
Fung Trinity Holdings Limited	Beneficial owner (Note 4)	51,000,000 (L)	7.98%
Fung Capital Asia Fund (I) Limited	Interest of controlled corporation (Note 4)	51,000,000 (L)	7.98%
Fung Capital Limited	Interest of controlled corporation (Note 4)	51,000,000 (L)	7.98%
Poolside Ventures Limited	Beneficial owner (Note 5)	36,892,000 (L)	5.77%

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 30 June 2021.
3. Lever Style Holdings is beneficially owned as to 14.0% and 86.0% by Ms. Fong Tong and Imaginative Company Limited respectively. Imaginative Company Limited is in turn wholly-owned by Mr. Szeto. Accordingly, Mr. Szeto, Ms. Fong Tong and Imaginative Company Limited are interested in 317,436,000 Shares for the purpose of SFO.
4. Fung Trinity Holdings Limited is wholly-owned by Fung Capital Asia Fund (I) Limited. The entire voting rights of Fung Capital Asia Fund (I) 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 2021.

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. The Audit Committee has three members, namely Mr. See Tak Wah, Mr. Auyang Pak Hong Bernard and Mr. Lee Shing Tung Tommy, 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 2021, 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 2020. 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 2021, 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. The Remuneration Committee has three members, Mr. Auyang Pak Hong Bernard (an independent non-executive Director), Mr. See Tak Wah (an independent non-executive Director) and Dr. Chan Yuk Mau Eddie (an executive Director). Mr. Auyang Pak Hong Bernard 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. The Nomination Committee has three members, Mr. Lee Shing Tung Tommy, Mr. Auyang Pak Hong Bernard and Mr. See Tak Wah, all of whom are independent non-executive Directors. Mr. Lee Shing Tung Tommy 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 engaged an independent internal control consultant to assist the Board and the Audit Committee in ongoing 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, an interim internal audit report rendered by the independent internal control consultant has 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 review on risk management and internal control systems; the extent and frequency of communication with the Board in relation to result 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 2021

	NOTES	Six months ended 30 June	
		2021 US\$ (Unaudited)	2020 US\$ (Unaudited)
Revenue	4	58,390,044	37,136,205
Cost of sales		(41,257,322)	(26,595,552)
Gross profit		17,132,722	10,540,653
Other income	5	104,337	271,204
Other gains and losses		(59,351)	(543)
Selling and distribution expenses		(8,835,424)	(6,855,856)
Administrative expenses		(5,993,002)	(5,843,326)
Finance costs		(275,867)	(287,751)
Profit/(Loss) before tax		2,073,415	(2,175,619)
Income tax expense	6	(356,521)	(45,553)
Profit/(Loss) for the period	7	1,716,894	(2,221,172)
Other comprehensive income/(expense)			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		39,045	(21,861)
Total comprehensive income/(loss) for the period		1,755,939	(2,243,033)
Earnings/(Loss) per share (US cents)	9		
– basic		0.27	(0.35)
– diluted		0.27	(0.35)

Condensed Consolidated Statement of Financial Position

At 30 June 2021

	NOTES	At 30 June 2021 US\$ (Unaudited)	At 31 December 2020 US\$ (Audited)
Non-current assets			
Plant and equipment	10	2,058,639	1,668,198
Right-of-use assets	11	3,575,818	5,496,316
Club membership		752,202	752,202
Intangible assets		800,000	–
Deposit paid for plant and equipment		129,176	270,573
Deferred tax assets		74,859	159,305
		7,390,694	8,346,594
Current assets			
Inventories		16,577,755	12,322,508
Trade and bills receivables	12	5,214,043	3,878,992
Trade receivables at fair value through other comprehensive income	13	4,591,679	5,755,737
Deposits, prepayments and other receivables		12,458,140	14,134,223
Tax recoverable		231,590	229,039
Bank balances and cash		15,627,445	17,762,584
		54,700,652	54,083,083
Current liabilities			
Trade and bills payables	14	9,489,841	8,796,092
Other payables and accruals		1,599,065	1,608,185
Contract liabilities		1,132,882	981,722
Lease liabilities		758,179	1,185,334
Tax payables		344,179	137,459
Bank borrowings	15	12,633,282	13,940,671
		25,957,428	26,649,463
Net current assets		28,743,224	27,433,620
Total assets less current liabilities		36,133,918	35,780,214

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2021

	NOTES	At 30 June 2021 US\$ (Unaudited)	At 31 December 2020 US\$ (Audited)
Non-current liabilities			
Lease liabilities		3,005,592	4,403,332
Bank borrowings	15	–	4,495
		3,005,592	4,407,827
		33,128,326	31,372,387
Capital and reserves			
Share capital	16	820,640	820,640
Reserves		32,307,686	30,551,747
		33,128,326	31,372,387

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Share capital US\$	Share premium US\$	Merger reserve US\$	Statutory reserve US\$ (Note i)	Exchange reserve US\$	Retained profits US\$	Total US\$
At 1 January 2020 (Audited)	821,799	29,749,900	(13,295,621)	170,405	(609,042)	17,508,488	34,345,929
Loss for the period	-	-	-	-	-	(2,221,172)	(2,221,172)
Exchange differences arising on translation of foreign operations	-	-	-	-	(21,861)	-	(21,861)
Total comprehensive loss for the period	-	-	-	-	(21,861)	(2,221,172)	(2,243,033)
Dividend recognized as distribution	-	-	-	-	-	(3,302,459)	(3,302,459)
At 30 June 2020 (Unaudited)	821,799	29,749,900	(13,295,621)	170,405	(630,903)	11,984,857	28,800,437
At 1 January 2021 (Audited)	820,640	26,393,444	(13,295,621)	261,124	(332,872)	17,525,672	31,372,387
Profit 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

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 2021

	Six months ended 30 June	
	2021 US\$ (Unaudited)	2020 US\$ (Unaudited)
OPERATING ACTIVITIES		
Profit/(Loss) before tax	2,073,415	(2,175,619)
Adjustments for:		
Finance costs	275,867	287,751
Interest income	(15,447)	(80,253)
Depreciation of plant and equipment	318,365	210,653
Depreciation of right-of-use assets	448,233	322,463
Operating cash flow before movements in working capital	3,100,433	(1,435,005)
(Increase) Decrease in inventories	(4,250,365)	2,252,250
(Increase) Decrease in trade and bills receivables	(1,331,621)	2,286,438
Decrease (Increase) in deposits, prepayments and other receivables	888,604	(376,583)
Decrease in trade receivables at FVTOCI	1,164,058	8,978,021
Increase (Decrease) in trade and bills payables	692,313	(5,980,531)
Decrease in other payables and accruals	(3,945)	(1,941,755)
Increase in contract liabilities	151,160	55,355
Cash generated from operations	410,637	3,838,190
Income tax paid	(86,083)	(1,674,089)
NET CASH FROM OPERATING ACTIVITIES	324,554	2,164,101
INVESTING ACTIVITIES		
Purchase of plant and equipment	(544,973)	(378,210)
Interest received	15,447	80,253
NET CASH USED IN INVESTING ACTIVITIES	(529,526)	(297,957)

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 US\$ (Unaudited)	2020 US\$ (Unaudited)
FINANCING ACTIVITIES		
New bank borrowings raised	2,619,245	3,344,227
Net repayment of trust receipt loans	(442,743)	(4,863,009)
Repayment of bank borrowings	(3,488,385)	(2,590,646)
Interest paid	(275,867)	(287,751)
Repayment of lease liabilities	(352,630)	(355,092)
NET CASH USED IN FINANCING ACTIVITIES	(1,940,380)	(4,752,271)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,145,352)	(2,886,127)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	17,762,584	17,020,045
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	10,213	(15,627)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	15,627,445	14,118,291

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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.

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) and application of new accounting policy in respect of intangible assets, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

(a) 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 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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.

(b) Application of new accounting policy in respect of intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

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	
	2021 US\$ (Unaudited)	2020 US\$ (Unaudited)
Shirts	15,431,855	12,992,832
Bottoms	15,358,203	13,123,190
Outerwear	14,446,156	2,219,835
Knit	4,970,068	1,040,366
Soft Woven	3,259,919	3,520,192
Suit	2,170,906	3,730,525
Sweater	1,348,897	–
Others	1,404,040	509,265
Total	58,390,044	37,136,205

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	
	2021 US\$ (Unaudited)	2020 US\$ (Unaudited)
United States of America	33,394,391	23,926,641
Europe	12,639,103	5,665,804
Greater China [#]	5,653,098	4,716,578
Others	6,703,452	2,827,182
	58,390,044	37,136,205

[#] 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	
	2021 US\$ (Unaudited)	2020 US\$ (Unaudited)
Claims received	73,123	157,909
Interests on bank deposits	15,447	82,033
Others	15,767	31,262
	104,337	271,204

6 Income Tax Expense

	Six months ended 30 June	
	2021 US\$ (Unaudited)	2020 US\$ (Unaudited)
Hong Kong Profits Tax:		
– Current tax	223,503	–
	223,503	–
PRC Enterprise Income Tax (“EIT”)		
– Current tax	34,583	45,553
– Underprovision in prior years	13,989	–
	48,572	45,553
Deferred tax	84,446	–
	356,521	45,553

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “Bill”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first Hong Kong dollar (“HK\$”) 2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

Accordingly, the Hong Kong profits tax of the qualifying group entity is calculated at 8.25% on the first HK\$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million.

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% for both periods. For the six months ended 30 June 2021 and 2020, the Group’s subsidiaries, 利華設計院(深圳)有限公司 and 利華服飾智造(深圳)有限公司 (formerly known as 漢精益服裝(深圳)有限公司), are qualified as Small Low-profit Enterprises with annual taxable income less than Renminbi (“RMB”) 3 million. 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 25% 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.

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

7 Profit/(Loss) for the Period

	Six months ended 30 June	
	2021 US\$ (Unaudited)	2020 US\$ (Unaudited)
Profit/(Loss) for the period has been arrived at after charging:		
Directors' remuneration	595,079	1,557,013
Other staff costs		
– salaries and other allowances	4,652,308	4,479,527
– retirement benefit scheme contributions	795,010	447,242
Total staff costs	6,042,397	6,483,782
Auditor's remuneration	142,414	109,654
Cost of inventories as an expense	41,257,322	26,595,552
Depreciation of plant and equipment	318,365	210,653
Depreciation of right-of-use assets	448,233	322,463
Expense relating to short-term leases	52,395	73,463

8 Dividends

No dividends were paid, declared or proposed during this interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

9 Earnings/(Loss) per Share

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

	Six months ended 30 June	
	2021 US\$ (Unaudited)	2020 US\$ (Unaudited)
Earnings/(Loss): Profit/(Loss) for the purposes of calculating basic and diluted earnings/(loss) per share	1,716,894	(2,221,172)
Number of shares: Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings/(loss) per share	639,100,000	639,937,714

The computation of diluted earnings per share for the six months ended 30 June 2021 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 Property, Plant and Equipment

During the current interim period, the Group incurred total expenditure of approximately US\$686,000 (six months ended 30 June 2020: approximately US\$748,000) on the acquisition of property, plant and equipment.

11 Right-of-Use Assets

During the current interim period, the Group did not enter into any new lease agreement.

12 Trade and Bills Receivables

	At 30 June 2021 US\$ (Unaudited)	At 31 December 2020 US\$ (Audited)
Trade receivables – contracts with customers	5,230,670	3,816,496
Provision on trade receivables	(213,270)	(212,688)
	5,017,400	3,603,828
Bills receivables discounted with recourse	196,643	275,184
	5,214,043	3,878,992

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 2021 US\$ (Unaudited)	At 31 December 2020 US\$ (Audited)
0 to 30 days	2,900,704	1,297,676
31 to 60 days	1,526,128	1,207,268
Over 60 days	590,568	1,098,864
	5,017,400	3,603,808

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 2021 US\$ (Unaudited)	At 31 December 2020 US\$ (Audited)
0 to 30 days	4,399,513	4,294,232
31 to 60 days	191,932	1,440,123
Over 60 days	234	21,382
	4,591,679	5,755,737

As at 30 June 2021, 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 2020, debtors with aggregate carrying amount of US\$47,457, 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 2021 US\$ (Unaudited)	At 31 December 2020 US\$ (Audited)
Trade payables	9,468,188	8,707,423
Bills payables	21,653	88,669
	9,489,841	8,796,092

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 2021 US\$ (Unaudited)	At 31 December 2020 US\$ (Audited)
0 to 30 days	8,106,503	7,806,589
31 to 60 days	1,133,459	472,932
Over 60 days	228,226	427,902
	9,468,188	8,707,423

15 Bank Borrowings

During the six months ended 30 June 2021, the Group obtained new bank borrowings of US\$31,183,000 (six months ended 30 June 2020: US\$20,589,000) and repaid bank borrowings of US\$32,495,000 (six months ended 30 June 2020: US\$24,699,000). The bank borrowings of the Group carry interest at market rates ranging from 1.35% to 2.06% per annum (31 December 2020: 1.38% to 3.87% per annum).

16 Share Capital

	At 30 June 2021 US\$ (Unaudited)	At 31 December 2020 US\$ (Audited)
Issued and fully paid		
639,100,000 Ordinary shares of HK\$0.01 each	820,640	820,640

17 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.

The table below discloses movement of the Share Option Scheme:

	Number of share options
Outstanding as at 1 January 2021	–
Granted during the period	6,400,000
Outstanding as at 30 June 2021	6,400,000

17 Share Option Scheme (Continued)

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.

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.

Expected volatility was determined by using the historical volatility of the comparable companies' share price over the previous 8.37 years.

18 Capital Commitments

	At 30 June 2021 US\$ (Unaudited)	At 31 December 2020 US\$ (Audited)
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	131,854	347,753

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 2021 US\$ (Unaudited)	At 31 December 2020 US\$ (Audited)
Motor vehicles	15,650	23,658
Bills receivables	196,643	275,184
	212,293	298,842

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	
		2021 US\$ (Unaudited)	2020 US\$ (Unaudited)
Calman Limited*	Rental expenses	38,654	38,701

* 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	
	2021 US\$ (Unaudited)	2020 US\$ (Unaudited)
Salaries and other allowances	485,352	444,834
Performance related bonus	62,361	1,072,068
Retirement benefit scheme contributions	3,865	12,427
	551,578	1,529,329

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 2021, the Group did not have outstanding balances with related parties (31 December 2020: 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 2021		Fair value hierarchy at 31 December 2020		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	4,591,679	4,591,679	5,755,737	5,755,737	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.