LEVER STYLE CORPORATION

利華控股集團

(Incorporated in the Cayman Islands with limited liability)

leverstyle

2021

ANNUAL REPORT

STOCK CODE: 1346

WWW.LEVERSTYLE.COM

THE APPAREL ENGINE FOR DIGITAL RETAIL

Contents

Corporate Information

Board of Directors

Executive directors

Mr. Szeto Chi Yan Stanley
Dr. Chan Yuk Mau Eddie
Mr. Lee Yiu Ming

Non-executive director

Mr. Jonathan Lee Seliger

Independent non-executive directors

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

Audit Committee

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

Remuneration Committee

Mr. Auyang Pak Hong Bernard *(Chairman)*
Mr. See Tak Wah
Mr. Lee Shing Tung Tommy
Mr. Andersen Dee Allen
Mr. Szeto Chi Yan Stanley

Nomination Committee

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

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

Corporate Information

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
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
Hong Kong

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Hong Kong

Company Website

www.leverstyle.com

Stock Code

1346

Chairman's Statement

On behalf of the board of directors of Lever Style Corporation (the "Company", together with its subsidiaries, the "Group"), I am pleased to present the annual results of the Group for the year ended 31 December 2021 ("year under review"). Please let me take this opportunity to thank our key stakeholders, especially our staff, for helping the Company rebound strongly from 2020, perhaps the most difficult year for apparel in living memory.

Record Results

The Group achieved 63.8% revenue growth in 2021 to a record of approximately US$143.7 million. Net profit increased 40-fold, albeit from a low base in 2020 the COVID year. As the western world gradually emerged from COVID lockdowns, apparel sales rebounded along with resumption of normal life. While we certainly benefited from that post-COVID rebound, a significant part of our over 60% growth came from the strategic acquisitions we made in 2020, and also our market share gains as new and existing customers learn to appreciate our multi-category one-stop-shop model. Going forward, we are seeing such positive trends continuing, and we expect another year of healthy growth in 2022.

It's worth noting that of the five strategic acquisitions we made since COVID started, three are in sports/outdoor apparels, the fastest growing segment of the apparel industry. From next to zero in 2019, sports/outdoor apparels, which consists of performance outerwear, sports bras, and other products such as yoga pants in our product portfolio, accounted for approximately 20.5% of our revenue in 2021. We will continue to look for strategic acquisition opportunities in the sports/outdoor apparels space to further widen our activewear product offerings.

Supply Chain Challenges

While our 2021 revenues jumped approximately 63.8% from 2020 and exceeded that of 2019 by approximately 17.8%, our 2021 profitability still lagged that of 2019 due to supply chain disruption issues. Freight costs continued to soar, while COVID factory lockdowns made us scramble for capacity. While our flexible asset-light business model allowed us to honor our delivery commitments better than most, such last-minute scrambling weighed heavily on costs.

Looking forward, we expect freight costs to stabilize albeit at a high level and COVID factory lockdowns to reduce in frequency, resulting in a more predictable cost base. This should help stabilize our margins in 2022. Raw material costs have been on an inflationary spiral, but because of the nature of our industry, raw material costs are usually directly passed onto our customers, making raw material inflation less impactful to our bottom line.

Recession-proof Model

The COVID years have helped us crystalize our recession-proof model. In a growing economy, such as the second half of 2021 and now in 2022, we are able to grow organically, winning both new customers and wallet share from existing customers. In bad times, we have proven that we can still grow our business (albeit with some time lag) by taking advantage of depressed valuations to acquire complementary businesses.

While we are achieving strong organic growth helped by the post-COVID rebound, acquisitions have become harder to conclude as surging demand has raised valuation expectations. While this post COVID rebound has no signs of abating in the short term, clouds are forming on the horizon. Interest rate increases, spiraling inflation, and downturn in financial markets that create the reverse wealth effect can suddenly zap consumer demand.

When the party ends, and it's a question of when, not if, we will once again be ready to supplement our growth with strategic acquisitions. Despite the COVID difficulties and the 5 acquisitions we made in 2020–21, our war chest of cash sitting in the bank has actually grown to record levels.

Pivot to Digital Platform

While apparel retail has become vastly digitalized, as seen by the stunning rise of digital platforms like Stitch Fix and Amazon, and by the emergence of digitally native brands like Bonobos and Everlane, the apparel supply chain has remained mostly analog. Supply chain digitalization is bound to happen, and we are in prime position to lead this revolution.

The Group serves almost 120 active customers and works with around 62 factory partners, across almost all apparel product categories. While most apparel suppliers tend to work narrow and deep with a small number of core customers, we have adopted the platform model of going wide and shallow with a wide range of customers, suppliers, and products. While our approach helps us cater to an underserved market (small and emerging brands with low volume production), it also puts us in prime position to pivot into a digital platform.

We are in the process of digitalizing our processes to allow us to work with even more brands and factory partners in a more automated manner. We are also considering collaborating with technology partners to build greenfield digital apparel supply chain platforms, where we can in time inject some of our small customers, which tend to be most receptive to such innovative solutions, to create momentum.

Conclusion

The Group managed to power out of the pandemic with record growth and sales. With a flexible asset-light business model and a strong war chest, I have never felt more optimistic about the strategic prospects of our bread-and-butter business.

The inevitable digitalization of the apparel supply chain will shake up the industry and will produce new winners and losers. We are well-positioned and determined to aggressively ride this wave and become one of the winners.

Once again, I would like to thank our many stakeholders, especially our staff, for putting the Group in prime position to tackle whatever the economy will throw at us.

Szeto Chi Yan Stanley
Chairman of the Board

30 March 2022

Management Discussion and Analysis

Financial Review

Revenue

Revenue of the Group increased by approximately 63.8% from approximately US$87.7 million in 2020 to approximately US$143.7 million in 2021. The increase was primarily attributable to: (i) the strong business rebound from the COVID-19 hit; (ii) the development in customer and product category diversity as a result of the Group's cross selling strategy; and (iii) the previous strategic acquisitions made by the Group during the two years ended 31 December 2020 and 2021 which enabled the Group to have a broader product capability and expand its customer base. 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:

	Year ended 31 December			
	2021		2020	
	US$'000	**%**	US$'000	%
Digitally native	**49,613**	**34.5**	34,750	39.6
Conventional				
– Premium	**85,331**	**59.4**	49,967	57.0
– Moderate	**8,743**	**6.1**	3,013	3.4
Sub-total	**94,074**	**65.5**	52,980	60.4
Total	**143,687**	**100.0**	87,730	100.0

Our revenue generated from digitally native customers increased from approximately US$34.8 million in 2020 to approximately US$49.6 million in 2021, representing an increase of approximately 42.8%. The increase mainly benefited from the business rebound from the COVID-19 hit, especially in the United States.

Revenue generated from conventional premium customers increased significantly from approximately US$50.0 million in 2020 to approximately US$85.3 million in 2021, representing an increase of approximately 70.8%, while the contribution of the total revenue from conventional premium customers increased from approximately 57.0% in 2020 to approximately 59.4% in 2021. Such increase was mainly attributable to the Group's strategic acquisitions and cross selling strategy, both of which enabled the Group to have a broader product capability and expand its customer base.

Cost of sales

Our cost of sales mainly comprises material costs and subcontracting fees. Cost of sales increased by approximately 68.3% from approximately US$61.8 million in 2020 to approximately US$104.0 million in 2021. Cost of sales as a percentage of total revenue increased from approximately 70.4% in 2020 to approximately 72.4% in 2021, 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$25.9 million in 2020 to approximately US$39.7 million in 2021, representing an increase of approximately 52.9%, along with the business growth. Gross profit margin decreased from approximately 29.6% in 2020 to approximately 27.6% in 2021, which was mainly due to inflation and pricing pressure in supply chain disruptions especially in China and Southeast Asia.

	Year ended 31 December			
	2021		2020	
	Gross profit US$'000	**Gross profit margin %**	Gross profit US$'000	Gross profit margin %
Digitally native	**15,915**	**32.1**	12,490	35.9
Conventional				
– Premium	**21,713**	**25.4**	12,644	25.3
– Moderate	**2,046**	**23.4**	810	26.9
Sub-total	**23,759**	**25.3**	13,454	25.4
Total	**39,674**	**27.6**	25,944	29.6

Profit for the year

The Group recorded a net profit of approximately US$4.3 million for the year ended 31 December 2021, as compared to approximately US$0.1 million for the year ended 31 December 2020. Such improvement was primarily attributable to: (i) the strong business rebound from the COVID-19 hit which led to an increase in the amount of sales to customers of the Group; (ii) the development in customer and product category diversity as a result of the Group's cross selling strategy; and (iii) the previous strategic acquisitions made by the Group during the two years ended 31 December 2020 and 2021 which enabled the Group to have a broader product capability and expand its customer base.

Increase of approximately US$4.2 million in net profit compared to 2020 was arrived to after: (1) gross profit increased by approximately 52.9% from approximately US$25.9 million in 2020 to approximately US$39.7 million in 2021; (2) selling and distribution expenses increased from approximately US$14.4 million in 2020 to approximately US$20.0 million in 2021 as a combined result of business growth as well as sea freight cost soaring due to supply chain disruption; (3) administrative expenses increased from approximately US$11.3 million in 2020 to approximately US$14.1 million in 2021, owing to (i) the Group's continuous development and optimization in staff benefit program to retain talents; (ii) employees brought in from strategic acquisitions; and (iii) B2B online platform and digitalization investment.

Liquidity and Financial Resources

The Group maintains a healthy financial position. Cash and cash equivalents of the Group as at 31 December 2021 were approximately US$19.9 million (2020: US$17.8 million). As at 31 December 2021, the Group had net current assets of approximately US$28.4 million. Compared to approximately US$27.4 million as at 31 December 2020, it represented an increase of approximately US$1.0 million. The current ratio for 2021 was approximately 1.6 times whilst it was approximately 2.0 times for 2020 which remained at a relatively healthy position.

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 31 December 2021, the Group had available banking facilities of approximately US$50.1 million. Out of the total available banking facilities, we had unutilized banking facilities amounted for approximately US$19.0 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$35.8 million at 31 December 2021 (2020: US$31.4 million). As at 31 December 2021, the gearing ratio of the Group was approximately 68.6% (2020: 44.5%). Gearing ratio is calculated based on the total debts (bank borrowings) divided by the total equity at the end of the year. The increase in gearing ratio for 2021 was mainly due to increase in bank borrowings.

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 year) of approximately 13.2% in 2021 (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. These proceeds had been fully utilized by 31 December 2021 in accordance with the proposed percentage allocation set out in the prospectus of the Company dated 31 October 2019 and the announcement of the Company dated 13 December 2021 in relation to partial change in nature of use of proceeds from the IPO.

Contingent Liabilities

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

Employees and Remuneration

As at 31 December 2021, the Group employed a total of 341 full-time employees (2020: 304 employees). For the year ended 31 December 2021, the aggregate remuneration of the Group's employees (including Directors' remuneration) remained stable at approximately US$13.7 million (2020: US$11.4 million).

The Company recognises the employees as 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 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.

Pledge of Assets

As at 31 December 2021, pledge of assets of the Group are set out in Note 30 to the consolidated financial statements.

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.

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

Save for the business plan disclosed elsewhere in this annual report, there was no other plan for material investments or capital assets as at 31 December 2021.

Significant Investments Held

No significant investments had been made by the Group for the Reporting Period 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 Reporting Period.

Capital Commitments

As at 31 December 2021, capital commitments of the Group are set out in Note 41 to the consolidated financial statements.

Events Occurring after the Reporting Period

There was no events after the reporting period that required to be disclosed.

Corporate Governance Report

The board ("Board") of directors ("Directors") of the Company recognises the importance of good corporate governance and the need to ensure that it is observed and practised throughout the Group. The Group strives to attain and maintain good corporate governance practices and is committed to achieving a high standard of corporate governance and business ethics to safeguard the interests of shareholders of the Company (the "Shareholders") and to enhance corporate value and accountability.

Corporate Governance Practices

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 13 November 2019 (the "Listing Date"). The Company has adopted the code provisions in the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the Listing Date.

The Company reviews its corporate governance practices regularly to ensure compliance with the CG Code.

The Group has been in compliance with all the code provisions under the CG code during the year ended 31 December 2021.

Board of Directors

Board composition

The Board is structured with a view to ensuring it is of a high calibre and has a balance of key skills and knowledge so that it works effectively as a team and individuals or groups do not dominate decision-making.

As at the date of this annual report, the Board comprises three executive Directors, one non-executive Director and four independent non-executive Directors. Details of their composition by category are as follows:

Executive directors

Mr. Szeto Chi Yan Stanley *(Chairman)*

Dr. Chan Yuk Mau Eddie *(Chief Executive Officer ("CEO"))*

Mr. Lee Yiu Ming

Non-executive directors

Mr. Jonathan Lee Seliger (Appointed as executive director on 26 August 2021 and redesignated as non-executive director on 28 February 2022)

Mr. Kim William Pak (Resigned on 10 December 2021)

Independent non-executive directors

Mr. See Tak Wah

Mr. Auyang Pak Hong Bernard

Mr. Lee Shing Tung Tommy

Mr. Andersen Dee Allen (Appointed on 10 December 2021)

Biographical details of the Directors are set out in the section headed "Directors and Senior Management" of this annual report. In the best of knowledge of the Directors, there is no relationship (including financial, business, family or other material relevant relationship) among members of the Board.

Roles and responsibilities of the Board

The Board is responsible for guiding and monitoring the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board delegates the day-to-day management of the business to the executive Directors and the management team. However, certain functions are specifically reserved for the Board which include the following:

- in conjunction with management, establishing a vision and strategies for the Group;
- approving specific items of material capital expenditure, major acquisitions, investments and disinvestments;
- appointing Directors to the Board;
- approving any significant changes to accounting policies;
- approving public announcements, including financial statements;
- approving any interim dividends and recommending any final dividends to Shareholders;
- approving all circulars, statements and corresponding documents sent to Shareholders;

- approving the terms of reference and membership of Board Committees;
- approving Company policies which may be developed from time to time;
- providing leadership and strategic directions for the Group;
- overseeing the proper conduct of the business;
- ensuring prudent and effective controls and risk management system; and
- overseeing the development and implementation of shareholder communication policy.

Chairman and CEO

The CG Code provision A.2.1 requires that the roles of chairman and chief executive be separate and not performed by the same individual to ensure there is a clear division of responsibilities between the running of the Board and the executives who manage the business.

Mr. Szeto Chi Yan Stanley, who is the chairman of the Board of the Company, provides leadership and is responsible for ensuring that the Board is functioning properly with good corporate governance practices and procedures. The Chairman also ensures that Board discussions are conducted in a manner that all views are taken into account before a decision is made.

Dr. Chan Yuk Mau Eddie, being the CEO, is responsible for the overall management and corporate affairs of the Company. With the support of the senior management, the CEO has the general responsibility for day-today management of the Group's business, implementation of the policies of the Board and making operational decisions. The Board is regularly provided with adequate, complete and reliable information of the Company in a timely manner, which includes but not limited to, the recent development and prospects of the Group.

Therefore, the Board considers that there is sufficient balance of power and authority between the Board and the management of the Company, and that power is not concentrated in the hands of any one individual.

Non-executive Directors and Independent non-executive Directors

The role of the non-executive Directors is to bring independent and objective judgment to the Board which mitigates risks arising from conflict of interest or undue influence from interested parties and protects the interest of minority shareholders. The Board recognises that it is important to periodically assess whether a Director who is designated as independent continue to satisfy such designation. Towards this end, an assessment of independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules is carried out on each of the independent non-executive Directors annually by every other member of the Board.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules and considered that all independent non-executive Directors fulfil the independence requirements set out in Rule 3.13 of the Listing Rules after the annual assessment. The Company considers all independent non-executive Directors to be independent. In compliance with Rule 3.13 of the Listing Rules, the Company has appointed four independent non-executive Directors, representing half of the Board.

Each of the non-executive Director and independent non-executive Directors has signed a letter of appointment with the Company for a term of three years and shall continue thereafter unless terminated in accordance with the provisions in their respective letters of appointment. The term of appointment of each Director is subject to retirement by rotation and re-election at annual general meeting in accordance with the articles of association of the Company (the "Articles of Association") and the Listing Rules.

Board diversity policy

The Board has reviewed its board diversity policy (adopted on 12 October 2019) ("Board Diversity Policy") during the year ended 31 December 2021. The Company recognises and embraces the importance and benefit to achieve diversity on the Company's Board to corporate governance and the Board's effectiveness. It endeavours to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Board nomination and appointments will continue to be made on merit basis based on its business needs from time to time while taking into account diversity. Selection of Board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience.

The Board will review the Board Diversity Policy on a regular basis to ensure its continued effectiveness.

As disclosed in the Prospectus, the aim of the Board and the Nomination Committee is to appoint two female directors by the end of 2022 to achieve gender diversity. The Nomination Committee and the Board have been identifying suitable female candidates all along and is of the view that with the appointment of such female directors, the Board will no longer be a single-gender Board and the diversity of the Board would be further enhanced.

Board committee

The Board has established three committees, namely the audit committee (the "Audit Committee"), remuneration committee (the "Remuneration Committee") and nomination committee (the "Nomination Committee") on 12 October 2019, to oversee particular aspects of the Group's affairs. Each of the three committees has sufficient resources and its specific terms of reference that are approved by the Board, relating to its responsibilities, duties, powers and functions, which are posted to the Stock Exchange's website and the Company's website.

The board committees will regularly report to the Board on decisions or recommendations made.

Audit committee

The Company has established the Audit Committee pursuant to a resolution of the Board passed on 12 October 2019 with written terms of reference in compliance with the CG Code and Rule 3.21 of the Listing Rules. The Audit Committee is primarily responsible for (i) reviewing and monitoring the financial reporting, risk management and internal control systems of the Company; (ii) making recommendations to the Board on the appointment and removal of external auditors; (iii) performing the Company's corporate governance functions; and (iv) to monitor continuing connected transactions (if any).

As at the date of this report, the Audit Committee consists of four independent non-executive Directors, namely Mr. See Tak Wah (chairman of the Audit Committee), Mr. Auyang Pak Hong Bernard, Mr. Lee Shing Tung Tommy and Mr. Andersen Dee Allen. The Audit Committee met four times during the year ended 31 December 2021. The Chief Financial Officer also attended the meetings of the Audit Committee by invitation. Besides attending meetings, members of the Audit Committee also had ongoing correspondences throughout the year under review.

Subsequent to 31 December 2021 and up to the date of this report, the Audit Committee held one meeting and carried out the following activities to meet their responsibilities as set out in the terms of reference of the Audit Committee:

(a) reviewed the financial results of the Group for the year ended 31 December 2021 as well as its results announcement for the year ended 31 December 2021 and subsequently presented the reports to the Board for approval before its subsequent release to Stock Exchange's website and the Company's website;

(b) monitored the Group's financial controls, internal control and risk management systems;

(c) reviewed the external auditors' management letter and any material queries or issues raised by the auditor; and

(d) reviewed the remuneration, qualifications and independence of the external auditor.

Remuneration committee

The Company has established the Remuneration Committee pursuant to a resolution of the Board passed on 12 October 2019 with written terms of reference in compliance with the CG Code. As at the date of this report, the Remuneration Committee consists of five members, namely Mr. Auyang Pak Hong Bernard, (Chairman of the Remuneration Committee), Mr. See Tak Wah, Mr. Lee Shing Tung Tommy, Mr. Szeto Chi Yan Stanley and Mr. Andersen Dee Allen. The primary functions of the Remuneration Committee include determining the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

During the year under review and up to date of this report, the Remuneration Committee held five meetings to review the remuneration policy, structure of the Company and the remuneration packages of the Directors and other related matters. Details of the remuneration of the senior management by band are set out in Note 11 in the notes to the consolidated financial statements for the year ended 31 December 2021.

Nomination committee

The Company has established the Nomination Committee pursuant to a resolution of the Board passed on 12 October 2019 with written terms of reference in compliance with the CG Code.

As at the date of this report, the Nomination Committee consists of four members, namely Mr. Lee Shing Tung Tommy (Chairman of the Nomination Committee), Mr. See Tak Wah, Mr. Auyang Pak Hong Bernard and Mr. Andersen Dee Allen.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant policies and procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors (in particular the chairman and chief executive of the Company), and assessing the independence of the independent non-executive Directors. In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, cultural, educational background, professional qualifications, skills, knowledge, industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

During the year under review and up to the date of this report, five Nomination Committee meetings were held.

Board meetings

The Company has adopted the practice of holding board meetings regularly and will hold at least four meetings in a period of 12 months at approximately quarterly intervals to discuss, among other things, the financial performance and the business operation and strategic development of the Group. The Board will also meet from time to time if necessary to discuss other matters. Notice of a regular board meeting will be given to Directors at least 14 days prior to such regular board meeting while reasonable notice will be given to all Directors for other board meetings.

Attendance records of meetings

The attendance of each Director at Board meetings, Audit Committee meeting, Remuneration Committee meeting, Nomination Committee meeting and general meeting during the year under review is set out in the following table:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Number of meetings held during the year	6	4	4	4	1
Name of Directors	**Number of meetings attended/Number of meetings entitled to attend**				
Executive Directors					
Mr. Szeto Chi Yan Stanley *(Chairman)* (appointed as member of Remuneration Committee on 10 December 2021)	6/6	–	1/1	–	1/1
Dr. Chan Yuk Mau Eddie	6/6	–	4/4	–	1/1
Mr. Lee Yiu Ming	6/6	4/4	–	–	1/1
Non-executive Directors					
Mr. Jonathan Lee Seliger (Appointed as executive director on 26 August 2021 and redesignated as non-executive director on 28 February 2022)	3/3	–	–	–	–
Mr. Kim William Pak (resigned on 10 December 2021)	6/6	–	–	–	0/1
Independent non-executive Directors					
Mr. See Tak Wah	6/6	4/4	4/4	4/4	1/1
Mr. Auyang Pak Hong Bernard	6/6	4/4	4/4	4/4	1/1
Mr. Lee Shing Tung Tommy (appointed as member of Remuneration Committee on 10 December 2021)	6/6	4/4	1/1	4/4	1/1
Mr. Andersen Dee Allen (appointed on 10 December 2021)	1/1	1/1	1/1	1/1	–

Appointment and re-election of Directors

Each of the executive Directors has entered into a service contract with the Company and is appointed for a specific term of three years unless terminated by not less than two months' notice in writing served by either the executive Director or the Company. Each of the non-executive Director and the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years and shall continue thereafter unless terminated in accordance with the provisions in the letter of appointment.

The Company has adopted a nomination policy for directors in which a formal and transparent procedure for the appointment, election and removal of Directors, which is set out in the Articles of Association and is led by the Nomination Committee under its written terms of reference, which will make recommendations on appointment of new Directors to the Board for approval.

Potential new Board members are identified on the basis of skills and experience which, in the opinion of the Directors, will enable them to make a positive contribution to the performance of the Board.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association. The Nomination Committee is responsible for reviewing the Board composition, developing and formulating the relevant procedures for nomination and appointment of Directors, monitoring the appointment and succession planning of Directors and assessing the independence of independent non-executive Directors.

All Directors are subject to retirement and re-election in accordance with the Articles of Association. Pursuant to the Articles of Association, one-third of all Directors (whether executive or non-executive) shall retire from office by rotation provided that every Director shall be subject to retirement by rotation and re-election at each annual general meeting at least once every three years.

The Articles of Association provides that any Director appointed by the Board to fill a casual vacancy in the Board shall hold office only until the first general meeting of the Company or as an addition to the existing Board, shall hold office only until the next following annual general meeting of the Company after his/her appointment and shall then be eligible for re-election.

Full details of changes in the Board during the year and up to the date of this annual report are provided in the section of this annual report headed "Directors' Report".

Continuous professional development

According to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. For the year ended 31 December 2021, all Directors participated in training courses on directors' responsibilities and obligations under the Listing Rules which covered among other topics, the CG Code as well as the company's and directors' continuing obligations. For newly appointed Directors, each of them will receive training materials on the first occasion of his or her appointment to ensure that he or she is fully aware of the director's responsibilities under the Listing Rules and all application laws in Hong Kong. In addition, each of the Directors has from time to time reviewed updates on laws, rules and regulations which might be relevant to their roles, duties and functions as a director of a listed company.

Directors' and Officers' insurance

Code provision A.1.8 requires that there should be appropriate insurance cover in respect of legal action against the Directors.

The Company has arranged appropriate insurance cover in respect of potential legal actions against its Directors and officers.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of the Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions (the "Securities Dealing Code"). Specific enquiry has been made with all the Directors and all of them confirmed that they have complied with the Model Code and the Securities Dealing Code for the year ended 31 December 2021 and up to the date of this report.

Auditor's Remuneration

The amount of fees charged by the Company's external auditor, Deloitte Touche Tohmatsu, generally depends on the scope and volume of the external auditors' work performed.

For the year ended 31 December 2021, the remuneration paid or payable to Deloitte Touche Tohmatsu in respect of the audit service and non-audit services for our Group are as follows:

Services rendered	US$'000
Audit service	321
Non-audit services	12
Total	333

Company Secretary

Mr. Lee Yiu Ming, an executive Director, is the company secretary of the Company. The company secretary is in charge of preparing and keeping written resolutions and/or minutes of meetings of the Board and the Board committees together with any relevant documents. All matters under consideration including any enquiry and objection by Directors will be minuted in details. Within a reasonable time frame upon closing a meeting, draft minutes will be despatched to all Directors for their comments and final written resolutions and minutes will be sent to all Directors for their records. All minutes are open for inspection by any Director at reasonable time on reasonable notice.

In accordance with Rule 3.29 of the Listing Rules, Mr. Lee Yiu Ming undertook at least 15 hours of relevant professional training during the year ended 31 December 2021.

Directors' Responsibility in Respect of the Financial Statements

It is the responsibility of the Directors to prepare the financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of the results and cash flows of the Group and of the Company for the financial year then ended.

The Directors consider that, in preparing the financial statements, the Group has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The Directors also consider that all applicable approved accounting standards have been complied with and confirm that the financial statements have been prepared on a going concern basis.

The Directors were not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern. The responsibility of the external auditors is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The independent auditor's report by external auditor, Deloitte Touche Tohmatsu, about their reporting responsibility on the consolidated financial statements of our Group is set out in the independent auditor's report of this annual report.

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 it 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.

Both the internal audit report and enterprise risk assessment report rendered by the independent internal control consultant are submitted to the Audit Committee and the Board at least once a year. The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to 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.

For the year ended 31 December 2021, the Board, through the independent internal control consultant, conducted a review of the effectiveness of the risk management and internal control system, which covered the areas of compliance and risk management. The Board considered the system of the Group to be adequate and effective during the year ended 31 December 2021.

Disclosure of Inside Information

The Group acknowledges its obligation under the Securities and Futures Ordinance ("SFO") and the Listing Rules, and the overriding principle that inside information should be announced immediately when it is the subject of a decision.

The Company makes reference to the "Guideline on Disclosure of Inside Information" issued by the Securities and Futures Commission of Hong Kong in 2012 in handling and dissemination of inside information. The Company has also established and implemented procedures for responding to external enquiries about the Group's affairs. Executive Directors or other senior management staff nominated by the Board as well as the Company Secretary of the Company are authorised to communicate with parties outside the Group.

Shareholders' Rights

An annual general meeting of the Company shall be held each year and at the place as may be determined by the Board. Each general meeting other than an annual general meeting, shall be called an extraordinary general meeting ("EGM").

Procedures for shareholders to convene an EGM

Pursuant to the Articles of Association, an EGM may be convened on the written request of any two or more Shareholders deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the request not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

An EGM may also be convened on the written requisition of any one member which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

Procedures for putting forward proposals at shareholders' meetings

There are no provisions in the Articles of Association allowing Shareholders to put forward new resolutions at general meetings. Shareholders who wish to make proposals or move a resolution may, however, convene an EGM in accordance with the "Procedures for shareholders to convene an EGM" set out above.

Procedures for putting enquiries to the Board

Shareholders may at any time send their enquiries and concerns in writing to the Board, which contact details are as follows:

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

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

Telephone: (+852) 2793 8000
(+86) 755 2980 7870

Communication with Shareholders and Investors

The Board adopted a shareholders' communication policy at a board meeting held on 12 October 2019. The Board and senior management recognise their responsibilities to represent the interests of all shareholders and to maximise shareholder value. Communication with shareholders and accountability to shareholders is a high priority of the Company. The Company has established various and a wide range of communication channels with the shareholders with the objective of ensuring that the shareholders have equal and timely access to information about the Company in order to enable the shareholders to exercise their rights in an informed manner and allow them to engage actively with the Company. The channels include general meetings, annual reports and interim reports, notices and circulars, announcements, and all the published disclosures submitted to the Stock Exchange. In addition, the Company updates its website from time to time to provide the shareholders with information of the Company's recent development.

The annual general meeting of the Company will provide a forum for the Board and the shareholders to communicate. The Board will answer questions raised by shareholders at the annual general meeting. At the meeting, separate resolution will be proposed by the Chairman for each issue and voting on each resolution will be conducted by poll. The results of the poll will be posted on the respective websites of the Stock Exchange and the Company on the same day of the meeting.

The Company has been striving to maintain high transparency and communicate with the shareholders and the investors of the Company through diversified communication channels. The Company holds press conferences and analyst briefing sessions from time to time to provide the latest business information of the Company to the investors.

Dividend Policy

The Company has adopted a dividend policy in which the Board, when deciding whether to propose a dividend and determining the dividend amount, will take into account, inter alia, the following factors:

(i) the general financial condition of the Group;

(ii) the actual and future operations and liquidity of the Group;

(iii) future cash requirements and availability of the Group;

(iv) restrictions on payment of dividends that may be imposed by the Group's leaders (if any);

(v) general market conditions; and

(vi) any other factors which the Board may deem appropriate at such time.

The Board will review the dividend policy from time to time and may exercise at its sole discretion to update, amend and/or modify the dividend policy at any time as it deems fit and necessary.

There can be no assurance that dividends will be paid in any particular amount for any given period.

Constitutional Documents

The Company adopted the amended and restated Memorandum and Articles of Association of the Company by resolutions in writing of the Shareholders passed on 12 October 2019, which has been effective since the Listing Date, to comply with the Listing Rules. A copy of the amended and restated Memorandum and Articles of Association of the Company is posted on the Stock Exchange's website and the Company's website.

During the year under review, there has been no change in the Memorandum and Articles of Association of the Company.

Non-Competition Undertakings

The Company has received a declaration from each of Mr. Szeto Chi Yan Stanley, Imaginative Company Limited and Lever Style Holdings Limited (the "Covenantors"), the controlling shareholders of the Company, of their compliance with the terms of the non-competition undertaking ("Undertaking"). The Covenantors declared that they have fully complied with the Undertaking during the year ended 31 December 2021 and up to the date of this annual report. The independent non-executive Directors have also reviewed the compliance of the Undertaking by the Covenantors and formed the opinion that the Covenantors have not breached any terms of the Undertaking during the year under review.

Environmental, Social and Governance Report

1. About the Report

The Environmental, Social and Governance (“ESG”) Report presents the efforts and achievements made in sustainability and social responsibility by the Lever Style Corporation (the “Company”, together with its subsidiaries, the “Group” or “we”). The ESG Report demonstrates our commitments, actions, and performance in fulfilling the principle of sustainable development.

1.1 Scope of the Report

The ESG Report covers the environmental and social performance of all the Group’s businesses for the period between 1 January 2021 and 31 December 2021 (the “Year”). Since the major part of business operation of the Group occurs in Shenzhen, the People’s Republic of China (“PRC”), unless otherwise specified, the environmental key performance indicators (“KPIs”) as disclosed in the ESG Report for the Year are based on the performance of our office in Shenzhen. For details of corporate governance, please refer to the Corporate Governance Report on pages 12 to 26 of the annual report for the Year.

1.2 Reporting Standard

The ESG Report was prepared in accordance with the “Environmental, Social and Governance Reporting Guide” under Appendix 27 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited.

1.3 Reporting Principles

The content of the ESG Report is determined through stakeholder engagement and materiality assessment process, which includes identifying ESG-related issues, collecting, and reviewing the management and stakeholders’ opinions, assessing the relevance and materiality of the issues, and preparing and validating the information reported. The ESG Report covers all key issues that are concerned by different stakeholders.

Quantitative environmental and social KPIs are disclosed in the ESG Report so that stakeholders can have a comprehensive understanding of the Group’s ESG performance. Information of the standards, methodologies, references and source of key emission and conversion factors used on these KPIs are stated wherever appropriate. To enhance and maintain comparability of ESG performances between years, the Group has strived to adopt consistent reporting and calculation methodologies as far as reasonably practicable. For any changes in methodologies and specific standards, the Group has presented and explained in detail in corresponding sections. The Group will continue to adopt consistent methodologies as far as reasonably practicable in the future, in case of any changes that could affect a meaningful comparison of the KPIs between years.

1.4 Information and Feedback

Your opinions on the Group's ESG performance are highly valued. If you have any advice or suggestions, please contact the Company by referring to "Corporate Information" on pages 2 to 3 of the Annual Report for the Year.

2. ESG Management

2.1 ESG Governance

The Group believes that well-established ESG governance principles, strategies and practices are crucial to the long-term development of its business, especially in increasing investment values and returns. In order to ensure the establishment of appropriate and effective ESG risk management measures and internal control systems, the Board of Directors (the "Board") has assigned the Audit Committee to govern and oversee the Group's ESG development. The committee is responsible for monitoring the Group's ESG strategies and reporting, as well as the review processes for ESG-related issues. To improve the Group's ESG governance, the committee regularly arranges independent assessments and efficiency analysis on the adequacy and effectiveness of the aforementioned system through an internal review function.

During the Year, the Audit Committee has assigned third-party ESG professionals for managing the ESG performance of the Company. The committee has also identified potential and material issues to the business and its stakeholders, with the assistance from third-party ESG professionals. The Board has also taken part in the materiality assessment as one of the key stakeholders of the company in providing constructive opinions on the materiality of ESG issues. The Audit Committee is responsible for supervising stakeholder communication channels and ensuring that stakeholders' point-of-view and expectations are properly met.

To ensure the management of ESG issues is on the right track, the Board oversees the coordination between departments according to their respective targets and will look for opportunities to set more explicit ESG goals and targets for the Group.

2.2 Stakeholder Engagement

The Group believes that its effort to communicate with stakeholders and address their concerns correlates with its success in environmental and social development. Therefore, the Group actively engages with its key stakeholders through multiple channels, such as meetings, announcements, company websites, and emails, to understand their expectations regarding ESG aspects, which could help the Group to integrate sustainability strategies into our business practices in the long-term.

The following table sets out our key stakeholders, their requirements and expectations for the Group, and the corresponding response and communication channels.

Stakeholders	Requirements and Expectations	Response and Communication Channels
Government and Regulators	• Compliance with national policies, laws and regulation • Support for local economic growth • Contribution in local employment • Tax payment in full and on time • Production safety	• Regular information reporting • Regular meetings with regulators • Dedicated reports • Examination and inspection
Shareholders	• Returns • Compliant operations • Rise in company value • Transparency and effective communication	• General meetings • Announcements • Email, telephone conversation and company website • Dedicated reports
Business Partners	• Operation with integrity • Equal rivalry • Performance of contracts • Mutual benefits	• Review and appraisal meetings • Business communication • Discussion and exchange of opinions • Engagement and cooperation
Customers	• Outstanding products and services • Health and safety • Performance of contracts • Operation with integrity	• Customer service center and hotlines • Customer satisfaction survey • Meetings with customers • Social media • Collection of feedback
Environment	• Compliance with emission regulations • Energy saving and emission reduction • Environmental protection	• Communication with local environmental departments • Communication with the communities

Stakeholders	Requirements and Expectations	Response and Communication Channels
Industry	• Establishment of industry standards • Enhancement of industry development	• Participation in industry forums • Field visits
Employees	• Protection of rights • Occupational health • Remunerations and benefits • Career development • Humanity cares	• Meetings with employees • House journal and intranet • Employee mailbox • Training and workshops • Employee activities
Community and the public	• Enhancement of community environment • Participation in charity • Transparency	• Company website • Announcements • Interview with the media

2.3 Materiality Assessment

With the opinions and information collected from stakeholders through various channels, the Group has a better understanding on the ESG-related issues concerned by the stakeholders. The Group has also gathered the management's view on ESG-related issues through questionnaires. The information gathered, after being analysed along with materiality maps provided by well-known external institutions and professional opinions from third-party professionals, helped the Group identify and prioritise ESG issues which are concerned by stakeholders and are highly related to the Group's business.

Aspects	Material Issues[1]
Environment	Climate Change and Energy Management Use of Water Resources
Labour Practices	Occupational Health and Safety Employee Welfare
Operating Practices	Product Quality and Safety Customer Service Management Responsible Sourcing Anti-corruption Intellectual Property Protection

3. Environmental Protection

As a responsible corporation, the Group protects the environment at the area where it operates while striving to develop its business. The Group endeavours to promote sustainable development by adopting numerous measures on reducing resources consumption, as well as raising employee's environmental awareness and encouraging them to take part in environmental protection. We strictly abide by relevant laws and regulations concerning wastes, exhaust gases and wastewater, such as the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste, the Environmental Protection Law of the PRC, and the Energy Conservation Law of the PRC.

As a supply chain solutions provider, the Group is not directly involved in manufacturing processes and thus direct air and water pollutants were not emitted from its main business operations during the Year. Also, all packaging activities are carried out in the facilities of our contracted manufactures. But still, the Group has put in place multiple policies regarding waste management, water saving and energy conservation, which act as guidance for the business to deliver its long-standing commitment to environmental protection.

During the Year, the Group was not aware of any material non-compliance with relevant laws and regulations relating to environmental issues.

1 The materiality assessment referred to the ESG Materiality Map provided by Morgan Stanley Capital International (MSCI) and the Materiality Map provided by Sustainability Accounting Standards Board (SASB) respectively.

3.1 Climate Resilience and Mitigation

The Group understands the importance of reducing greenhouse gas (GHG) emissions in business operations and strives to reduce our products' carbon footprint. To this end, the Group has been implementing an assortment of measures ranging from resources management to energy saving. In addition, we are a signatory to the United Nations Framework Convention on Climate Change's Fashion for Global Climate Action to demonstrate our commitment to low carbon future. To enhance transparency on our carbon performance, we disclosed our data to CDP and received a B- in CDP Climate Change Report 2021.

In terms of GHG emissions, GHG emissions are mainly generated from office operation. There are no direct emissions emitted from the Group's operation, and thus, GHG emissions can be classified into two scopes: scope 2 – energy indirect emissions from purchased electricity; and scope 3 – other indirect emissions from electricity used for fresh water and sewage processing, outbound business air travel by employees and methane gas generation in landfills due to the disposal of paper waste. This Year, due to business growth and acquisition of new businesses, our GHG emissions have increased compared to 2020. The Group, however, will spare no efforts in reducing GHG emissions in the future. As a short term target, we are exploring potential means to offset our carbon emission and aim at achieving "Net Zero" in the long run.

Greenhouse gas emissions from the Shenzhen office during the Year are as follows:

GHG emissions	**2021**	2020
Total GHG emissions (tonnes CO_2e)[1]	**393.8**	331.3[2]
Scope 1 – Direct emissions (tonnes CO_2e)	**0**	0[2]
Scope 2 – Energy indirect emissions (tonnes CO_2e)[3]	**316.4**	271.6
Scope 3 – Other indirect emissions (tonnes CO_2e)[4]	**77.4**	59.8[2]
Intensity (tonnes CO_2e/employee)	**1.14**	1.09[2]

1. Greenhouse gas emission is presented in tonnes of carbon dioxide equivalent, and includes carbon dioxide, methane and nitrous oxide as its inventory.

2. The Group has updated the calculation methodology of scope 1 and scope 3 emissions. Thus, scope 1 emissions, scope 3 emissions, total GHG emissions, and intensity of 2020 are restated.

3. Calculated based on the "2011 and 2012 China Regional Power Grid Average Carbon Dioxide Emission Factors" (《2011年和2012年中國區域電網平均二氧化碳排放因子》) issued by the National Development and Reform Commission of the PRC.

4. Calculated based on the International Civil Aviation Organisation Carbon Emissions Calculator, data from the Shenzhen Water Group, and the "Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong" issued by the Electrical and Mechanical Services Department and the Environmental Protection Department.

The Group's dedication to reducing carbon footprint can be reflected by various measures, targeting at a number of sources of emission. For example, employees who are engaged actively in overseas meetings are encouraged to substitute phone or video conferences for overseas business travels to avoid unnecessary outbound travels, while direct flights are prioritized for unavoidable business trips. For measures relating to energy-saving, please refer to the Energy Conservation section.

In an attempt to enhance climate resilient, the Group has identified several climate change-related risks that may affect the Group's operations and development, such as the risk of shifting consumer preferences due to climate change, where the growing environmental awareness from the public is engaging a transition to a more sustainable lifestyle, which may lead to increased input costs and change of revenue mix. The Group is also exposed to the risk from enhanced emissions reporting obligations and additional regulations and mandates on existing products and services, which may lead to more resources being required to be devoted to such areas, potentially increasing operational costs. The Group is closely monitoring the development of climate change trends and will respond promptly to whenever impacts due to climate-related risk arise. In addition, we also work closely with our factories to enhance climate resilience and reduce embodied carbon in products through capacity building.

The Group is highly aware that extreme weather events led by climate change may severely hinder the Group's operations. Therefore, with the principle of "prevention in advance, handling in the process, and improvement after the event" as its basis, the Group has formulated a climate change events response policy, effectively reduce the impact and loss on the Group due to abnormally bad weather through streamlining the procedures of disaster prevention and control. A working group for severe weather disaster prevention is subsequently formed, governing the responsibilities of monitoring and reporting on extreme weather-related information, as well as supervising the implementation of safety prevention and emergency response measures.

3.2 Energy Conservation

The consumption of electricity is the major sources of energy consumption of the Group. The Group, being aware of the possible impacts resulted from the use of energy such as the emission of greenhouse gases, shouldered the burden of emission reduction and dedicated considerable efforts to reducing energy consumption in our office operation. This Year, due to business growth and deployment of new machinery , our energy consumption have increased compared to 2020. As a short term goal, the Group aims at diverting the energy source from fossil fuels to renewable energy and strive to improve energy efficiency through process optimization. The energy consumption of the Shenzhen office during the Year is as follows:

Energy Consumption	**2021**	2020
Total energy consumption (MWh)	**600.3**	515.2[1]
Direct energy consumption – fuel used for vehicles (MWh)	**0**	0[1]
Indirect energy consumption – purchased electricity (MWh)	**600.3**	515.2
Intensity (MWh/employee)	**1.75**	1.69[1]

1. The Group has updated the calculation methodology of direct energy consumption. Thus, direction energy consumption, total energy consumption, and intensity of 2020 are restated.

The Group has implemented multiple measures to effectively lower energy consumption. In terms of lighting systems, the Group ensures all light fixtures and lamps are cleaned regularly to maximize their efficiency and has installed energy-efficient lighting in office. In addition, we encourage employees to turn of lights during lunch hours and have separated the office area into different lighting zones so that the lighting system can be used more flexibly.

In addition, the Group ensures filters and fan coil units of the air conditioning system are cleaned regularly to maintain high efficiency. Employees are allowed to wear light clothes every Friday so that energy for air conditioning can be saved. The Group also sets the minimum temperature of air-conditioning system to around 26 degrees Celsius and seal the doors and windows to avoid leakage of cool air and maintain indoor temperature efficiently. By means of regular checking and maintenance, the possibility of refrigerant leakage is significantly reduced. The Group strives to prevent any form of energy wastage, and therefore we use timers to switch off printers completely and set all computers to sleeping mode when idle. The Group will continue to strengthen its energy-saving measures in an effort to become an energy-efficient enterprise.

3.3 Green Raw Material

The Group is highly aware that the use of chemical and synthetic dyes derived from petroleum may cause severe pollution to the environment due to its potentially harmful properties. In order to create a pollution and toxic free environment, the Group has included natural dyes derived from plants and fruit for garment and apparel production. The non-toxic and non-polluting nature of natural dyes means it can be put on the compost and will not cause harm to the environment. Besides, the Group actively responded to the Greenpeace Detox Campaign, which aims to remove toxic chemical usage in apparel. To demonstrate our commitments to using sustainable materials, we are certified to Global Organic Textile Standard (GOTS), Global Recycled Standard (GRS), Responsible Down Standard (RDS) and Responsible Wool Standard (RWS).

We also extensively source sustainable and circular materials including organic cotton, BCI cotton, recycled polyester & rayon fabrics, and degradable plastics and polybags. Strict measures such as control on toxic chemical usage in production lines and conducting stringent chemical management audits at production sites were implemented. To know more about sustainable sourcing practices, please refer to the Supply Chain Management section.

3.4 Waste Management

General office waste is the major non-hazardous waste of the Group, which is recycled as far as possible, and is collected and processed collectively by the property management. Hazardous waste, such as toner cartridges, are returned to venders for recycling to avoid detrimental impacts to the environment. Though we do not generate significant quantity of waste in our operations, we aim at continuously advocating the importance of 3R (reducing, reusing, and recycling) principles among our employees and assess waste management performance of our partnered production facilities. To this end, the Group ensures that both non-hazardous waste and hazardous waste are disposed, collected, and processed in a proper and legal manner. As for office wastes, the Group purchases products with improved recyclability, higher recycled content, reduced packaging materials and greater durability. The Group also encourages its employees to reduce the usage of disposable and non-recyclable products and reuse stationery items as much as possible to achieve waste reduction. Employees are also reminded to recycle old computer products and other electrical or electronic products as far as possible. Also, the Group proactively avoids or reduces the amount of paper waste generated by using electronic means to disseminate information internally, setting printers to default duplex and monitoring printing volume regularly.

Waste generated by the Shenzhen office during the Year are as follows:

Wastes	2021	2020
Non-hazardous waste (tonnes)[1]	**120.8**	112.6
Intensity (tonnes/employee)	**0.35**	0.38
Hazardous waste (kg)	**23.0**	27.5
Intensity (kg/employee)	**0.07**	0.09

1. Calculated with conversion factor provided by the Shenzhen Urban Management and Comprehensive Law Enforcement Bureau.

3.5 Water Conservation

Water is a precious resource therefore conservation of water is of great importance from the Group's perspective. The Group recognizes the importance of water conservation and aims at increasing our water consumption efficiency through raising employees' awareness and deployment of water-efficient equipment in our future operations. To this end, we continuously promote water saving awareness and practices to employees, such as using water-efficient equipment including dual-flush toilets, water taps and other equipment with water efficiency labels. The Group also regularly checks for hidden water leakage and will fix dripping tips immediately once problems are found. To enhance transparency on water management performance, we disclosed our data to CDP and received a B in CDP Water Security Report 2021.

In terms of wastewater discharge, as a supply chain solutions provider, the Group does not produce or discharge any industrial wastewater in our business operation. To minimize wastewater impacts, we deployed water-efficient and zero-discharge washing machines in our development centre to make sure no adverse impacts is posed to the environment. Besides, all domestic sewage generated in daily office use is discharged into the municipal sewage pipe network for treatment.

During the Year, the Group did not face any issue in sourcing water. Due to business growth, the demand for sampling service from customers has elevated the water usage in steaming machine, and two new washing machines have been installed for testing specific product categories. Hence our water consumption has increased compared to 2020. The water consumption of our Shenzhen office in this Year is as follows:

Water Consumption	2021	2020
Total water consumption (m^3)	**3,451.0**	1,993.1
Intensity (m^3/employee)	**10.03**	6.67

4. Employee-focused

The dedication and contributions of employees are essential to the long-term and sustainable development of the Group. The Group understands that well-established employment policies enable us to attract and retain talents. Therefore, apart from complying with the laws and regulations concerning employment, occupational safety and labour standards, the Group strives to provide employees with a positive working environment and safeguard their well-being and health. The Group has also put in place human resources policies which guide employment and termination, salary review and promotion, as well as employee welfare and equal opportunities.

4.1. Health and Safety

The Group always puts priority on employees' health and safety, and thus we are devoted to providing and maintaining a healthy and safe workplace for its staff and other persons likely to be affected by its business operations through abiding by relevant laws such as the Occupational Safety and Health Ordinance of Hong Kong, Law of the PRC on the Prevention and Control of Occupational Diseases and Law of the PRC on Work Safety. Health and safety standards are given prime consideration in our operations and regulatory compliance is strongly upheld by the Group.

Employees at all levels, particularly the management and the Health and Safety Committee, are accountable for maintaining a rigorous and injury-free working environment by following safety initiatives. In light of the COVID-19 pandemic, the Group has set up a dedicated committee to oversee and coordinate all preventive measures. For example, in addition to regular disinfection and air purification, we make sure the workplace is well-ventilated with adequate fresh air supply. An emergence plan and reporting system is also in place to curb the outbreak in the workplace at early stage.

The Group has implemented safety guidelines and organise educational training for promoting the prevention of occupational diseases on a regular basis, such as reminding employees to keep the workplace clean at all times and providing training in respect of first aid and preventive measures to strengthen employees' safety awareness. The Group also participates in annual fire and evacuation drills to raise awareness among employees. Employees are required to strictly comply with the working and operational procedures and the laws and regulations in respect of occupational health and safety to prevent accidents and occupational diseases consciously. Moreover, hazardous chemicals are stored separately with clear labels, while personal protective equipment is provided to employees according to the needs of various positions. Designated personnel are assigned to monitor and ensure that employees wear appropriate personal protective equipment while handling hazardous chemicals.

In case of any occurrence of work-related injuries or illness, or reports on unsafe and unhealthy work practices, the Group will make corresponding responses promptly by investigating the cases, planning for remedial measures, and providing necessary assistance to the persons involved. During the Year, the number of work injuries and the number of loss days due to work injuries recorded by the Group was 0 (the number of work injuries in 2020: 1). There were no work-related fatalities in the past three years.

4.2. Remuneration and Welfare

As a way to deliver care to employees, and at the same time stimulate their working initiative, the Group offers all employees a wide range of welfare and benefits. All employees are entitled to a number of leaves according to laws such as public holidays, annual leave, and maternity leave. If the day-off falls on a statutory holiday, compensatory time off is offered on the following day. Meanwhile, according to the requirements of the local government such as the Social Insurance Law of the PRC, we also make contributions to the Social Insurances and Housing Provident Fund for our employees. The Group also offers benefits to employees including discretionary bonus, training, and provident funds.

The Group firmly believes that its employees are the cornerstone of the Group's success. Therefore, to retain talents and build a high caliber, highly motivated team, the Group reviews and adjusts the salary structure of employees annually and offers employees with a competitive remuneration package which take reference from both internal and external benchmarks as incentives. In addition, good work-life balance is essential to maintaining employees' motivation and efficiency at work. During the Year, the Group organised various leisure activities to provide employees with the opportunity to relax and interact, for example monthly birthday parties, monthly gatherings, annual dinner and festival-related celebrations.

4.3. Career Development

It is the Group's conviction that business success is highly dependent on the continuous improvement in employees' performance and productivity. As such, the Group recognises the importance in improving our employees' knowledge and skills, as well as fostering their long-term career development and growth with the Group.

During the Year, the Group conducted a variety of training programmes for employees at different levels and from different departments. For instance, during the Year, regular training on different apparel categories were organised to keep employees updated with the latest trends. Hard skills training like the usage of Microsoft Office tools were also provided to better equip employees with optimal skills for work. The Group also offered case studies on topics such as serving new customers, enterprise mobility and information security, trade terms and sustainability programs for fast retailing. Moreover, the Group organised new employee orientation in order to let new-joined staff to get familiarised with the Group's businesses, operation and culture. During the Year, the average training hours per employee and percentage of trained employees of the Group are as follows:

Average Training Hours per Employee (Percentage of Trained Employees)	**2021**	2020
By Employee Category		
Senior	**0.8 (40%)**	3.1 (91%)
Intermediate	**28.8 (54%)**	7.1 (61%)
Junior	**3.0 (86%)**	4.3 (41%)
By Gender		
Female	**6.7 (88%)**	5.5 (52%)
Male	**6.9 (60%)**	4.0 (39%)

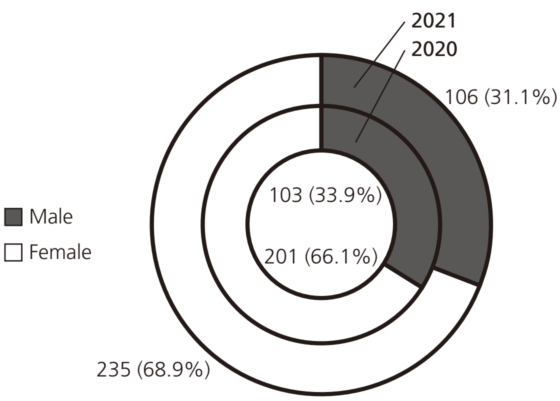
While education acts as the foundation for the growth and development of our employees, we also strive to provide diverse promotion opportunities and clear career pathways to our employees. Appraisal review for employees is conducted regularly so that employees who have met the expectations and achieved strong performance can be considered for promotion. It is hoped that every employee can advance their career by working in the Group.

4.4. Diversity and Inclusion

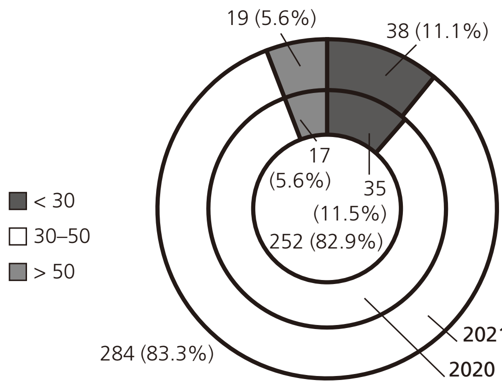
As an equal opportunity employer, the Group assures all candidates of a fair and open recruitment process. We strictly follow the Employment Ordinance of Hong Kong, Labour Law of the PRC and Labour Contract Law of the PRC. The Group highly values anti-discrimination and does not tolerate any form of discrimination on the grounds of race, color, sex, age, religion, national origin, sexual orientation, marital or veteran status, ancestry, citizenship, disability, or any other characteristics protected by law, during the selection of candidates, as well as the consideration of promotion, training and reward provision of employees. Only employee contribution, job performance, qualifications and skills are taken into account during employee assessment processes. Employees who are believed to be subject to discrimination or harassment can report the cases to supervisors, managers or the human resources department for investigation.

As of 31 December 2021, the Group employed a total of 341 employees. The distributions of employees by different categories of the Group are as follows:

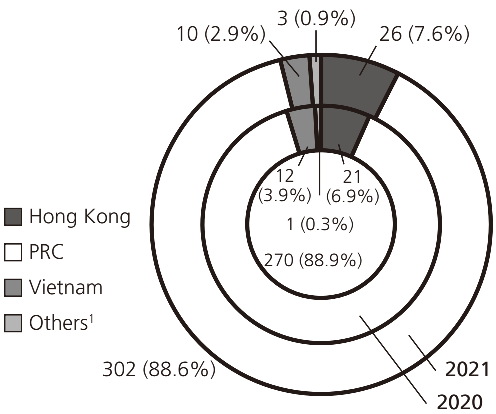
By Gender



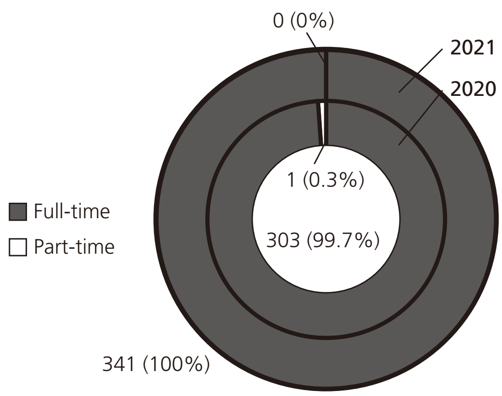
By Age



By Geographical Location



By Type of Employment



1 Include the USA and Cambodia.

As of 31 December 2021, the turnover rates of employees of the Group by different categories are as follows:

	2021	2020
By Gender		
Female	**23%**	56%
Male	**12%**	83%
By Age		
Below 30	**39%**	74%
30–50	**18%**	59%
Above 50	**5%**	135%
By Geographical Location		
Hong Kong	**14%**	38%
Shenzhen	**21%**	63%
Vietnam	**10%**	133%
Others[1]	**0%**	300%

1 Include the USA and Cambodia.

4.5. Employee's Rights and Interests

The Group strictly prohibits the employment of child labour in accordance with the relevant laws and regulations such as the Employment of Children Regulations of Hong Kong and the Provision on the Prohibition of Using Child Labour of the PRC. The Group ensures that no child labour is employed by verifying the identity of new employees before the commencement of work. Whenever such practice is discovered, the Group would investigate the case thoroughly and dismiss relevant employees immediately. The Group follows relevant regulations to define working duration for employees and adopt a five-day working week arrangement so as to assure employees of sufficient rest time and prevent forced labour. Upon receipt of resignation from an employee, the Group will conduct an exit interview to understand his/her reason for resignation.

5. Business Optimisation

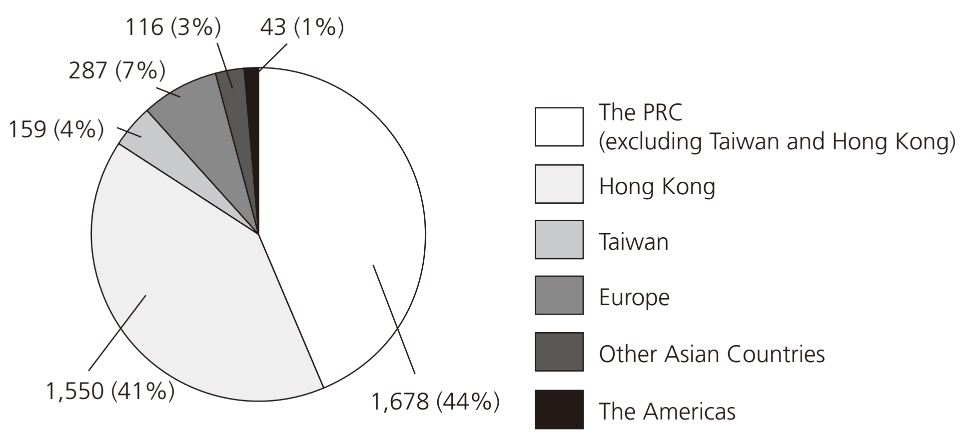
The sustainable development of an enterprise highly hinges on the quality and efficiency of its business operations. On top of complying with relevant laws and regulations concerning product quality and safety, advertising, including but not limited to the Product Quality Law of the PRC, Copyright Law of the PRC, Patent Law of the PRC, and Advertising Law of the PRC, the Group strictly manages supply chain and oversee the quality of raw materials and products, earnestly serving its customers and behaving ethically in the market.

5.1. Supply Chain Management

With the aim to thoroughly fulfill the Group's environmental and social responsibility, comprehensive management of business operations including the supply chain management cannot be neglected. To ensure that qualified products and services of quality are provided upon request of the Group, the Group works closely with supply chain partners to oversee its supply chain practices thoroughly.

During the Year, the number of suppliers by geographical location are as follows:

Suppliers by Geographical Location



Strict procedures for the selection of suppliers have been set up. The Group always considers environmental and social performance and prefers suppliers with high credibility, and avoids working with suppliers who do not comply with relevant laws and regulations with respect to anti-discrimination, employment of child or forced labour, bribery and corruption, irresponsible environmental behavior or any other unethical practices. Once selected, the Group enters into contracts with suppliers, indicating the requirements regarding quality, logistics packaging and storage.

The Group has implemented a supplier scorecard system which helps identify potential risks of the supply chain, including environmental and social risks. We regularly review suppliers' performance in respect of quality, cooperation and cost effectiveness, as well as aspects covered by the supplier's corporate social responsibility such as environmental protection, energy saving capacity, compliance with child labour laws as well as labour and human rights. If a supplier is found to be inconsistent with the Group's contractual requirements, the Group will immediately cease its cooperation with the supplier until the unsatisfactory situation is rectified.

The Group also aims to attain responsible purchasing and build up a competitive advantage through green procurement. Raw material sourcing plays a significant part in the Group's supply chain, hence the Group puts great emphasis on promoting responsible and environmentally-friendly raw material sourcing. Throughout its raw material selection process, the Group actively prioritises suppliers that conform with standards regarding responsible raw material sourcing, such as Global Organic Textile Standard (GOTS), Global Recycled Standard (GRS), Responsible Down Standard (RDS) and Responsible Wool Standard (RWS), which ensures that the textiles and other raw materials used are from organic and recyclable sources, and do not involve harming animal welfare.

In addition to setting requirements for suppliers, the Group also work closely with our suppliers to help improve their environmental performance. For example, as the garment and apparel industry is highly water-dependent and may pose high wastewater concerns to the surrounding environment, in view of such, the Group has dedicated multiple technological advancements for apparel production facilities to reduce the water resource required and the wastewater induced during apparel production processes, such as implementing green wash processes and waterless enzyme stone washing cycle, which significantly lowers water usage and wastewater discharge.

5.2. Product Quality

In the pursuit of excellence in products quality, the Group makes every effort to strive for the complete provision of products in accordance with customers' needs and expectations. We have operated in compliance with product quality-related laws and regulations, including but not limited to the Product Quality Law of the PRC.

The Group has put in place a system for quality management, aiming at ensuring that our products meet the relevant health and safety requirements and the service that we provide are of high quality. The responsible quality control personnel conducts quality inspection on each batch of raw materials upon receipt. Only raw materials that has passed our quality control tests are admitted into inventory, while flawed items will be returned to the suppliers or be replaced. Work-in-progress is examined after each production process, among which only those passing quality control tests are allowed to proceed to the next production stage. To ensure the quality and reliability of our products, finished products are examined to ensure that the quality of products meets the requirements of customers. All work-in-progress and finished products are labeled for future traceability.

In addition, the Group has specific packaging and delivery instructions in place for each category of product to ensure the safety and quality of products during transportation. In case of any unqualified products, reasons would be tracked and identified via labeling and production record keeping system. If the unqualified products are identified with quality issues, they will be reworked where possible and those unable to be processed will be treated as waste. During the Year, the Group did not record any products sold or shipped that are subject to recalls for safety and health reasons.

5.3. Customer Services

The Group is devoted to achieving the highest customer satisfaction by providing professional and client-oriented services. To understand clients' needs, the Group communicates with clients before service provision. The management holds regular meetings with employees to review operations in various aspects to ensure that clients' expectations can be met. Clients' feedback on service quality, environmental and workplace safety performance and application of material and tools is also collected as a source for making corresponding improvement. In response to client complaints, the Group will investigate the root cause and carry out remedial and preventive action promptly. During the Year, the Group received one complaint related to product quality. The issue has been resolved and duly investigated to avoid recurrence.

6. Business Ethics

6.1 Anti-Corruption

Ethics and professionalism are the Group's core values in conducting business, so the Group is dedicated to running the business with integrity and cultivating an ethical corporate culture. The Group strictly conforms to relevant laws and regulations, such as the Anti-Money Laundering Law of the PRC and the Prevention of Bribery Ordinance of Hong Kong. To raise employees' awareness against corruption, we provide business ethics training related to guidance note published by The Hong Kong Institute of Chartered Secretaries (HKICS) to all employees on an annual basis. Whistle-blowing policy and guidelines are included in the employee handbook which embodies the principles of integrity, respect, trust and judgment. Employees can report any irregularities to the designated personnel and the Group will investigate the improper behaviors and take corresponding remedial measures against the irregularities. The Group under no circumstances allows any bribery, corruption, extortion, money-laundering or other fraudulent activities. Employees are required to possess high ethical standards and demonstrate professional conduct in all business dealings with our stakeholders.

During the Year, the Group was not involved in any legal cases or breach of laws and regulations that have a significant impact on the Group in relation to bribery, corruption, extortion, fraud and money laundering.

6.2 Intellectual Property Rights

The Group understands the importance of protecting and enforcing our intellectual property rights. To show respect towards others' intellectual property rights, the Group strictly abides by the laws and regulations relating to intellectual property rights such as the intellectual property laws in Hong Kong. The Group requires employees to keep confidential all information relating to the transactions, operation, management, technology and skills, etc. during their employment, in order to safeguard the Group's intellectual property rights. In addition, prior approval shall be obtained from the Group before other party intends to use the Group's trademark to avoid any infringement of the exclusive right of the Group's trademarks.

6.3 Information Security and Privacy

With regard to information security and confidentiality, the Group also plays a vital role in handling information of customers, employees and other stakeholders with the highest degree of carefulness. To safeguard the information security and protect the customers' privacy and data, employees are required to use designated anti-virus software and shall not use any unauthorised software or hardware or bring any company's information away from their workplace. Employees shall encrypt files that contain sensitive information of the Group as well for better data protection.

Furthermore, the Group's employees are required to sign a confidentiality agreement before employment to undertake that they will not disclose any customers' information to any third party. The Group only collects personal data which are necessary for conducting business, and the data will not be used for any purposes without the consent of the related persons. Transferring and disclosing the Group's personal data to entities not of the Group is strictly prohibited. The confidentiality obligations of employees persist for a certain period even after the termination of the employment with the Group.

7. Community Contribution

Support from society and community has long been an important element for the growth and development of the Group, the Group therefore recognises the importance of serving the community with love and care. The Group has focused on making donations in material forms to different charities to contribute to the community. During the Year, the Group has organised three clothes donation events and donated near 3,000 pieces of garment to different non-governmental organisations. The donations will be delivered to the people in need and reduce wastage.

Apart from material donations, the Group also takes a firm stance in safeguarding the rights, health and well-being of underprivileged women. Since 2019, the Group has been supporting the HERhealth project organised by Business for Social Responsibility (BSR), which takes place in one of our factories in Vietnam. The purpose of the project is to improve female workers' awareness and ability to take better care of their health through peer-to-peer education. The ongoing project addresses the health-related needs of female workers and provides education to enrich their knowledge towards female healthcare.

Appendix: KPI Reporting Guide

ESG Indicators	Overview	Sections	Page no./ Explanation/ Reasons for Omissions
Environmental			
A1 Emissions	General disclosure	Climate Resilience and Mitigation; Waste Management	32–33, 35–36
A1.1	The types of emissions and respective emissions data.	No air emissions or other type of pollutants are directly emitted by the Group.	
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions in total and, where appropriate, intensity.	Climate Resilience and Mitigation	32–33
A1.3	Total hazardous waste produced and, where appropriate, intensity.	Waste Management	35–36
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Waste Management	35–36
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Climate Resilience and Mitigation	32–33
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Waste Management	35–36
A2 Use of Resources	General disclosure	Energy Conservation; Water Conservation	34, 36
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Energy Conservation	34
A2.2	Water consumption in total and intensity.	Water Conservation	36
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Energy Conservation	34
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Water Conservation	36

ESG Indicators	Overview	Sections	Page no./ Explanation/ Reasons for Omissions
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	The Group is not involved in the use of any packaging materials for all its businesses.	
A3 The Environment and Natural Resources	General disclosure	Environmental Protection	31
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environmental Protection	31
A4 Climate Change	General disclosure	Climate Resilience and Mitigation	32–33
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Resilience and Mitigation	32–33
Social			
B1 Employment	General disclosure	Remuneration and Welfare; Career Development; Diversity and Inclusion	38–41
B1.1	Total workforce by gender, employment type, age group and geographical region.	Diversity and Inclusion	39–41
B1.2	Employee turnover rate by gender, age group and geographical region.	Diversity and Inclusion	39–41

ESG Indicators	Overview	Sections	Page no./ Explanation/ Reasons for Omissions
B2 Health and Safety	General disclosure	Health and Safety	37–38
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety	37–38
B2.2	Lost days due to work injury.	Health and Safety	37–38
B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety	37–38
B3 Development and Training	General disclosure	Career Development	38–39
B3.1	The percentage of employees trained by gender and employee category.	Career Development	38–39
B3.2	The average training hours completed per employee by gender and employee category.	Career Development	38–39
B4 Labour Standards	General disclosure	Employee's Rights and Interests	41
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employee's Rights and Interests	41
B4.2	Description of steps taken to eliminate such practices when discovered.	Employee's Rights and Interests	41

ESG Indicators	Overview	Sections	Page no./ Explanation/ Reasons for Omissions
B5 Supply Chain Management	General disclosure	Supply Chain Management	42–43
B5.1	Number of suppliers by geographical region.	Supply Chain Management	42–43
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management	42–43
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management	42–43
B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management	42–43
B6 Product Responsibility	General disclosure	Product Quality; Customer Service; Intellectual Property Rights; Information Security and Privacy	44–46
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product Quality	44
B6.2	Number of products and service related complaints received and how they are dealt with.	Customer Service	44
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Intellectual Property Rights	45
B6.4	Description of quality assurance process and recall procedures.	Customer Service	44
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Information Security and Privacy	45–46

ESG Indicators		Overview	Sections	Page no./ Explanation/ Reasons for Omissions
B7	**Anti-corruption**	General disclosure	Anti-Corruption	45
	B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-Corruption	45
	B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.	Anti-Corruption	45
	B7.3	Description of anti-corruption training provided to directors and staff.	Anti-Corruption	45
B8	**Community Investment**	General disclosure	Community Contribution	46
	B8.1	Focus areas of contribution.	Community Contribution	46
	B8.2	Resources contributed to the focus area.	Community Contribution	46

Directors and Senior Management

Executive Directors

Mr. Szeto Chi Yan Stanley ("Mr. Szeto"), aged 47, is the Chairman of our Group. He joined the Group in 2000 as Chief Executive Officer and was appointed as an executive Director of the Company on 13 March 2019. Mr. Szeto is primarily responsible for the corporate strategic planning, overall business development and management of our Group.

Mr. Szeto was a winner of the EY (Ernst & Young) Entrepreneur of the Year China 2018 award. He also received the 2009 Young Industrialist Award of Hong Kong from the Federation of Hong Kong Industries.

Mr. Szeto served as Chairman of Hong Kong Textile Council in 2015 to 2020, and he is Honorary Chairman of Hong Kong General Chamber of Textiles. He has been representing the Textiles and Garment sector as an Election Committee member to select the Chief Executive of Hong Kong in 2017 and 2022.

Mr. Szeto currently serves as board member of the Baker Retailing Center, an interdisciplinary research center and innovation think tank at the Wharton School of University of Pennsylvania. Mr. Szeto is a member of the Small and Medium Enterprises Committee of the Hong Kong Government's Trade and Industry Department. He is also Chairman of the Hong Kong Garment Manufacturers Association, and Director of the Federation of Hong Kong Garment Manufacturers. Mr. Szeto was a member of the Hong Kong Government's Textiles Advisory Board and the Hong Kong Polytechnic University's Advisory Committee on Textile and Clothing Industries from 2014 to 2015 and from 2015 to 2017 respectively.

Before joining the Group, Mr. Szeto worked at JP Morgan's (now known as JP Morgan Chase and Co.) Global Investment Banking Department from 1996 to 1998 and then at Prudential Asset Management Asia Limited from 1998 to 2000.

Mr. Szeto graduated magna cum laude from the Wharton School of University of Pennsylvania with a Bachelor of Science in Economics degree in 1996. He majored in Finance, Entrepreneurial Management, and Legal Studies.

Directors and Senior Management

Dr. Chan Yuk Mau Eddie, aged 63, was appointed as an executive Director of our Company on 13 March 2019. Dr. Chan was appointed as the chief operation officer and president in January 2015 and as the chief executive officer of our Group in January 2017 respectively and is responsible for the overall operation, strategic planning and overall business management of our Group.

Dr. Chan has nearly 40 years of experience in the textiles and apparel industry. Prior to re-joining our Group in January 2015, Dr. Chan was appointed as director (Technical Development Centre) and later as director (Operations Management Office), sales director (Apparel Division) and group director (Operational Excellence) of Esquel Group from January 2004 to September 2014, a vertically integrated textile and apparel manufacturing company with its headquarters in Hong Kong. From May 1988 to December 2003, Dr. Chan worked as marketing manager and later as assistant general manager, general manager and finally as the chief operation officer & director of Lever Shirt, a wholly-owned subsidiary of our Group. Dr. Chan started his career by gaining experience at TAL Group, Laws Group, and Mast Industries.

Dr. Chan graduated with a Diploma in Woven Fabric Manufacture and a Higher Diploma in Textile Technology from the Hong Kong Polytechnic University in November 1982 and November 1986 respectively. Dr. Chan later obtained a Master of Commerce in Marketing from the University of Strathclyde in the United Kingdom in November 1987 and a Doctor of Business Administration from the Hong Kong Polytechnic University in November 2003. Dr. Chan then obtained a Bachelor of Business in Accountancy from the Royal Melbourne Institute of Technology University in Australia in September 2007 (a distant learning course) and a Master of Science in Financial Analysis from the Hong Kong University of Science and Technology in November 2009.

Dr. Chan was admitted as a member of the Hong Kong Institution of Textile and Apparel in October 2003, a chartered member of the Textile Institute of the United Kingdom in June 2004 and a member of the Hong Kong Institute of Marketing in November 2004. Dr. Chan had been the chairman of the Hong Kong Institution of Textile and Apparel from 2017 to July 2019. Dr. Chan was appointed as non-executive director of GS1 HK during April 2018 to April 2021. Dr. Chan has been the appointed committee member of Clothing Industry Training Authority since September 2019.

Mr. Lee Yiu Ming, aged 57, was appointed as an executive Director of our Company on 13 March 2019. Mr. Lee was appointed as the chief financial officer of our Group in January 2015 and is primarily responsible for the financial planning and corporate management of our Group.

Mr. Lee has over 15 years of experience in the manufacturing industry with expertise in financial management. From 1996 to 2014, Mr. Lee was under the employment of Pegasus International Holdings Limited (stock code: 676), a company listed on the Main Board of the Stock Exchange where he had worked in several managerial, compliance financial positions including company secretary and chief financial officer. From July 1988 to May 1996, Mr. Lee was an audit manager at Deloitte Touche Tohmatsu, a provider of audit and tax services.

Mr. Lee graduated from the Hong Kong Polytechnic University with a Higher Diploma in Textile Technology in November 1986. Later, he graduated from the Queen's University of Belfast in the United Kingdom with a Masters of Business Administration degree in December 1987.

Mr. Lee has been an associate member of the Hong Kong Institute of Certified Public Accountants since October 1991. Mr. Lee has also been an associate member and fellow member of the Association of Chartered Certified Accountants since January 1992 and January 1997 respectively. Mr. Lee has been an associate member of the Institute of Chartered Accountants in England & Wales since February 2008 and a certified public accountant (practising) of the Hong Kong Institute of Certified Public Accountants since January 1998.

Non-executive Director

Mr. Jonathan Lee Seliger, aged 53, was appointed as an executive Director of the Company on 26 August 2021 and was re-designated as a non-executive Director of the Company on 28 February 2022. Mr. Seliger has over 25 years of managerial experience in the omni-channel luxury and fashion business sector in Asia and has been the chief commercial officer and president of the Company since August 2021 and was responsible for overseeing the sale business of the Company. From September 2005 to November 2010, Mr. Seliger was employed as the managing director, Dunhill China by Richemont Commercial Company Limited (歷峰商業有限公司). From December 2010 to August 2014, Mr. Seliger was the president and chief executive officer of Coach Shanghai Limited. From August 2016 to April 2018, Mr. Seliger was the chief executive officer of Shanghai Naked Hub Business Management Consultation Co., Ltd* (上海裸心社企業管理諮詢有限公司). Mr. Seliger obtained a Bachelor of Arts degree in Oriental Studies from the University of Pennsylvania in 1991.

Independent non-executive Directors

Mr. See Tak Wah ("Mr. See"), aged 58, joined our Company as an independent non-executive Director on 12 October 2019. His appointment as the chairman of the audit committee and a member of each of the nomination committee and remuneration committee of our Company was effected on 13 November 2019.

Mr. See has over 35 years of experience in financial and general management. Mr. See worked at Mobil Oil Hong Kong Limited from July 1990 to June 1992 in which he held the positions of MIS Accountant, System/MIS Accountant and Accountant Operations. He later worked as the regional business controller of Nokia Mobile Phones (HK) Ltd in July 1992 and was promoted to the managing director in October 1995 until he left in December 1997. From January 1998 to March 1999, Mr. See was the general manager of Philips. He later joined Siemens as the general manager, North Asia in March 1999 until he joined First Mobil Group Holdings Limited as its chief operating officer in October 2000. Mr. See currently runs his own boutique management consultancy practice focusing on business strategy formulation and transformation consultation.

Mr. See graduated from the Management School of Waikato University in New Zealand with first class honours in Bachelor of Management Studies in April 1988. He has been a member of the Institute of Chartered Accountants of New Zealand since May 1990, a member of the Hong Kong Institute of Certified Public Accountants since January 1991 and a fellow member of the Hong Kong Institute of Directors since February 2006.

Mr. See is currently an independent non-executive director and chairman of the audit committee and a member of the remuneration committee, the nomination committee and the internal control committee of Tesson Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1201).

Mr. See was an independent non-executive director of Unisplendour Technology (Holdings) Limited (formerly known as Sun East Technology (Holdings) Limited) from 2004 to 2016, a company listed on the Main Board of the Stock Exchange (stock code: 365).

Mr. Auyang Pak Hong Bernard ("Mr. Auyang"), aged 54, was appointed as our independent non-executive Director on 12 October 2019. His appointment as the chairman of the remuneration committee and a member of the audit committee and a member of the nomination committee of our Company was effected on 13 November 2019. Mr. Auyang will cease to be an independent non-executive Director of our Company with effect from 3 May 2022.

Mr. Auyang has over 28 years of experience in general management and the corporate industry. Mr. Auyang has worked at Computime Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 320), providing smart solutions and contract manufacturing services, from 1991 to 2009 in which he was appointed as the chief executive officer and the executive director since the listing of Computime Group Limited on the Main Board of the Stock Exchange (stock code: 320) until November 2009. Mr. Auyang rejoined Computime as a Non-Executive Director in January 2020, and was appointed as an Executive Director and the Chief Executive Director in April 2020. He is also currently an outside director, the chairman of the nomination committee and the compensation committee of Sumida Corporation, a company listed on the Tokyo Stock Exchange, First Session (stock code: 6817). Mr. Auyang has also been the chairman of a Hong Kong-based investment firm and was a chief executive officer of a brand and technology company focusing on innovative communication and outdoor products.

Mr. Auyang was a recipient of the Young Industrialist Awards of Hong Kong in 1999 and was named the Hong Kong Young Industrial Ambassador in 2002. He was also the past international chairman of the Young Presidents' Organization, a global network of young chief executives, for the year 2014 to 2015. Mr. Auyang is currently a council member of St. Paul's Co-educational College, a member of the advisory board of the Institute of Chinese Studies and a member of the committee of Overseers of Wu Yee Sun College of The Chinese University of Hong Kong, a court member of the Hong Kong University of Science and Technology, a director and the chairman of the Business Development Committee and IT Committee, a member of the governing board and Executive Committee of the CUHK Medical Centre Limited.

Mr. Auyang obtained a degree of Bachelor of Arts magna cum laude in East Asian Studies and Economics from Harvard University, the U.S., in 1991.

Directors and Senior Management

Mr. Lee Shing Tung Tommy ("Mr. Tommy Lee"), aged 54, was appointed as our independent non-executive Director on 12 October 2019. His appointment as the chairman of the nomination committee and a member of the audit committee was effected on 13 November 2019.

Mr. Tommy Lee has over 25 years of experience in the manufacturing industry. He founded Multizen Asia Limited in 1993 which is now one of the leading B2B confectionery manufacturing companies in the APAC region, and has since been its president and chief executive officer.

Mr. Tommy Lee has also devoted his time in helping disadvantaged and underprivileged children in the PRC since the early 1990s. In recognition of his pro bono work, Mr. Tommy Lee was awarded the Economic Outstanding Contribution Award (南通市開放型經濟發展傑出貢獻獎) in September 2010. Mr. Tommy Lee is also currently a council member of the Asian Council of The Lawrenceville School in the U.S.. Mr. Tommy Lee also set up the Multizen Foundation (承善基金) in August 2010 for granting funds for the purpose of education in Nantong City, the PRC.

Mr. Tommy Lee obtained a Bachelor of Science degree from Cornell University, the U.S., in May 1989 and subsequently a Master of Science degree from Stanford University, the U.S., in June 1990.

Mr. Andersen Dee Allen ("Mr. Andersen"), aged 70, was appointed as an independent non-executive director of the Company on 10 December 2021. His appointment as a member of the audit committee, a member of the remuneration committee, and a member as the nomination committee was effected on 10 December 2021.

Mr. Andersen has over 40 years of experience in the commercial and corporate industry and also in business development and general management. Mr. Andersen began his career at General Mills in 1977 and Continental Grain Company in 1989, managing their Asian agriculture industrial businesses. Mr. Andersen was then promoted to senior vice president and general manager of the Asian Industries Division of Continental Grain Company in 1992.

Mr. Andersen then joined Sun Hung Kai Real Estate Agency Limited as consultant and was responsible for its private equity investment activities. Mr. Andersen later set up his own company, Peace Field Limited, in July 2013, a financial advisory firm and has since been the senior managing director.

Mr. Andersen graduated from Brigham Young University, the U.S., with a Bachelor's degree with majors in Accounting and Chinese in April 1975 and obtained a Master in Business Administration degree from the Harvard Business School, U.S., in June 1977.

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2021.

Senior Management

Mr. Yao Haowen, aged 39, joined our Group in May 2019 as the vice president human resources. He is primarily responsible for people strategies and workforce planning, organization development and transformation, talent acquisition and international mobility, executive remuneration, organization culture and core value.

Mr. Yao has over 15 years of experience in human resources management. Prior to joining our Group, Mr. Yao was deputy director, total rewards & performance management, in S.F. Express Co., Ltd., which is the largest logistics and supply chain service provider in China (SZSE stock code: 002352), between September 2015 and February 2019. From March 2015 to August 2015, Mr. Yao held the role as total rewards business partner for Asia Pacific in W. L. Gore & Associates, which is a privately owned company with head office in Delaware, the U.S., spanning four main sectors: medical, electronics, industrial and fabrics products. From September 2007 to February 2015, Mr. Yao was human resources manager in Shenzhen Mindray Bio-Medical Electronics Co., Ltd., which is one of leading medical device, life science, and healthcare solution providers worldwide (SZSE stock code: 300760).

Mr. Yao received his Bachelor of Arts in International Business English from the Guangdong University of Finance & Economics in China in 2005, and subsequently his Master of Science in Resource Management from the University of Edinburgh, in the United Kingdom in 2007.

Directors' Report

Principal Activities

The Company is an investment holding company. The Group is engaged principally in the trading of garments. The activities of its subsidiaries are set out in Note 37 to the consolidated financial statements.

Business Review and Performance

A review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement and Management Discussion and Analysis, respectively, from pages 7 to 11 of this Annual Report. The outlook of the Company's business is discussed throughout this Annual Report.

Results and Dividends

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 77 of this report.

Final dividend of HK2.5 cents per ordinary share was proposed by the directors of the Company for the year ended 31 December 2021.

Closure of Register of Members

The AGM will be held on Friday, 10 June 2022. Notice of the AGM will be sent to shareholders in due course. For the purpose of determining Shareholder's eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 7 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 6 June 2022.

Plant and Equipment

Details of movements during the year in the Group's plant and equipment are set out in Note 14 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company during the year are set out in Note 29 to the consolidated financial statements.

During the year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

Distributable Reserves of the Company

At 31 December 2021, the Company's reserves available for distribution to shareholders consisted of share premium, capital reserve and retained profits, totalling approximately US$26,428,000.

Directors

The Directors of the Company during the year under review and up to the date of this report were:

Executive directors

Mr. Szeto Chi Yan Stanley *(Chairman)*
Dr. Chan Yuk Mau Eddie
Mr. Lee Yiu Ming

Non-executive directors

Mr. Jonathan Lee Seliger (Appointed as executive director on 26 August 2021 and re-designated as non-executive director on 28 February 2022)
Mr. Kim William Pak (resigned on 10 December 2021)

Independent non-executive directors

Mr. See Tak Wah
Mr. Auyang Pak Hong Bernard
Mr. Lee Shing Tung Tommy
Mr. Andersen Dee Allen (appointed on 10 December 2021)

Further information about the Directors are set out from pages 52 to 56 of this report.

In accordance with article 84(1) of the Company's Articles of Association, Mr. Szeto Chi Yan Stanley, Mr. Lee Yiu Ming, Mr. Jonathan Lee Seliger, Mr. See Tak Wah and Mr. Andersen Dee Allen, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

The terms of office of independent non-executive directors are subject to retirement by rotation in accordance with the provisions of the Company's Articles of Association.

Directors' Service Contracts

Each of the executive directors has entered into a service contract with the Company for a term of three years commencing 13 November 2019 and continuing thereafter until terminated by either party giving to the other party a period of advance two months' notice in writing.

No director proposed for re-election at the forthcoming annual general meeting has an unexpired service contract with the Company or any of its subsidiaries which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

Equity-linked Agreements

Save for the share option scheme and co-ownership share award scheme set out below, no equity-linked agreement was entered into by the Group, or existed during the year ended 31 December 2021.

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.

Eligible participants of the Share Option Scheme include the following:

(i) any employee (whether full time or part time) of the Group or any entity (the "Invested Entity") in which any member of the Group holds any shareholding (including any executive director but excluding any non-executive director of the Group or any Invested Entity);

(ii) any non-executive directors (including independent non-executive directors) of the Group or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliances or other business arrangement to the development and growth of the Group.

As at the date of this annual report, the total number of Shares available for issue under the Share Option Scheme is 64,000,000, representing 10.00% of the issued share capital of the Company as at 13 November 2019. The maximum number of Shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to Shareholders' approval in a general meeting.

Share options granted to a Director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive Directors (excluding independent non-executive Director who is the grantee of the options). In addition, where any grant of share options to a substantial shareholder or an independent non-executive Director, or to any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in excess of 0.1% of the Shares in issue and with an aggregate value (based on the closing price of the Shares at the date of the grant) in excess of HK$5 million, in a 12-month period up to and including the date of grant, such grant of share options are subject to Shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the Board, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Share Option Scheme.

The subscription price for Shares under the Share Option Scheme shall be a price determined by the Board, but shall not be less than the highest of:

(i) the closing price of Shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day;

(ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and

(iii) the nominal value of the Shares.

Details of movements in the Share Option Scheme of the Company during the year are set out in Note 36 to the consolidated financial statements.

Co-ownership Share Award Scheme

The Company operates a co-ownership share award scheme (the "Share Award Scheme"), which was adopted on 18 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.

Individuals eligible to be granted awards include the following:

(i) any director (whether executive or non-executive);

(ii) any employee (whether full time or part time) of the Group or any advisor (professional or otherwise);

(iii) consultant to or expert in any area of business or business development of any member of the Group but excluding any person who is treated as a tax resident of a place where an Award (as defined under the Share Award Scheme) and/or the vesting and transfer of Shares pursuant to the terms of the Share Award Scheme is not permitted under the laws and regulations of such place or where in the view of the Award Committee or the Trustee (as the case may be) (as defined under the Share Award Scheme) compliance with applicable laws and regulations in such place make it necessary or expedient to exclude such person (each an "Eligible Person").

The Award Committee may, from time to time, select any eligible person(s) for participation in the Share Award Scheme by sending to such eligible person(s) an invitation to participate on the basis of the Award Committee's (as defined under the Share Award Scheme) opinion as to such eligible person's contribution and/or future contribution to the development and growth of the Group. The invitation to participate shall set out the conditions for receiving an award and for participation in the Share Award Scheme as a Selected Participant, including but not limited to the following conditions:

(a) that the selected Eligible Person must have purchased and retained certain number of Shares in the Company on or prior to the date stated on each Invitation to Participate which is the last date the selected Eligible Person may submit the required information to the Award Committee in order to be eligible to an Award in accordance with the rules of the Share Award Scheme ("Cut Off Date"), on the basis that the Award Committee would consider the granting of an award of one (1) Share to every three (3) Qualifying Shares (being the number of Shares purchased and held by a selected Eligible Person which are recognised and accepted by the Award Committee as fulfilling the conditions for receiving an Award and which form the basis for calculation of the number of Shares to be awarded to that Eligible Person under the Share Award Scheme) held by the selected Eligible Person;

(b) the number of Shares held or to be held by each selected Eligible Person which would be accepted and recognised by the Award Committee as Qualifying Shares for the purpose of determination of an Award shall:

   (i) be in multiples of three (3); and

   (ii) have an aggregate purchase value (based on the value at the date of purchase of the Shares as shown on the bank/broker statement submitted) of not less than the aggregate value of 2 months of Base Salary of the Eligible Person but not more than the aggregate value of 24 months of such Base Salary of the Eligible Person; and

(c) the selected Eligible Person must be able to produce evidence as required by the Award Committee as set out in such Invitation to Participate.

On or before the Cut Off Date, the selected Eligible Person shall further send to the Award Committee the requisite information together with the second reply slip attached to the Invitation to Participate (including evidence of holding of the Qualifying Shares by valid statements of brokers; and the due diligence documents required by the Trustee as stated on the reply slip). The Award Committee shall then verify and decide on the making of a provisional Award to such Eligible Person of such number of issued Shares, fully paid or credited as fully paid, as the Award Committee shall determine pursuant to the rules of the Scheme and calculated based on the number of acceptable Qualifying Shares held by the selected Eligible Person. Upon such determination by the Award Committee to make a provisional Award, such Eligible Person shall then become a Selected Participant of the Scheme entitled to an Award once his Awarded Shares have been provisionally set aside by the Trustee under the Trust as constituted by the Trust Deed. On the other hand, any Eligible Person who has received an Invitation to Participate but who has failed to return the reply slip or the requisite information on or before the Cut Off Date shall be deemed to have declined to participate and shall therefore receive no Award and shall no longer continue to participate in the Scheme (unless and until further Invitation to Participate, if any, is received by that person), and shall have no rights or claims against the Company or the Trustee as a Selected Participant under the Scheme.

The Award Committee shall issue an Award Notice to the Trustee in writing upon the making of a provisional Award under the Scheme and provide, amongst other things, the following information: (i) the names of the selected Eligible Persons(s) and whether any selected Eligible Person is a connected person; (ii) the number of Shares provisionally awarded to the relevant selected Eligible Persons pursuant to such provisional Award; (iii) the vesting timetable and the Vesting Dates on which the Trustee should vest the legal and beneficial ownership of the Awarded Shares in the relevant selected Eligible Persons once they have become Selected Participants; and (iv) any other conditions as may be imposed by the Award Committee.

Upon the receipt of an Award Notice and satisfactory review of the due diligence documents provided, the Trustee shall set aside the appropriate number of Awarded Shares provisionally awarded to each of the selected Eligible Person pending the vesting and transfer of the Awarded Shares to such selected Eligible Person. The selected Eligible Person shall then become a Selected Participant of the Scheme entitled to an Award. The Trustee shall hold the Awarded Shares so set aside during the Vesting Period for the benefit of the Selected Participants pursuant to the terms of the Trust Deed.

The Award Committee shall then issue Grant Notice(s) to the Selected Participants once the Trustee has notified the Award Committee that the Awarded Shares have been set aside by the Trustee. The Grant Notice shall contain substantially the same information as that set out in the Award Notice referable to each particular Selected Participant. An Award shall be deemed to be irrevocably accepted by a Selected Participant unless the Selected Participant shall within five (5) Business Days after the Reference Date notify the Company in writing that he declines to accept such Award by signing and returning to the Award Committee the reply slip attached to the Grant Notice.

An Award shall be personal to the Selected Participant and shall not be transferable or assignable and no Selected Participant shall in any way sell, transfer, charge, mortgage, encumber or otherwise dispose of or create any security or adverse interest whatsoever in favour of any third party over or in relation to an Award or any part thereof or enter or purport to enter into any agreement to do so on or before any Vesting Dates.

Where any grant of Awarded Shares is proposed to be made to any person who is a connected person of the Company, the Company shall comply with such provisions of the Listing Rules as may be applicable unless otherwise exempted under the Listing Rules.

The Company may from time to time pay or cause to be paid funds to the Trust as directed by the Board which shall constitute part of the funds held under the Trust and managed by the Trustee for the benefit of the Eligible Persons, for the purchase or subscription (as the case may be) of Shares and other purposes set out in the Scheme and the Trust Deed.

The Trustee shall, pursuant to the directions of the Award Committee, apply such funds towards the purchase of Shares. The directions given by the Award Committee shall include matters such as the price range for the purchase of Shares, the number of Shares to be purchased at any particular time or during any particular period, and the timing of each purchase.

Unless approved by the Board, the Award Committee shall not make further award of Shares under the Scheme, and the Trustee shall not make any further purchase of Shares, if this will result in the aggregate number of Awarded Shares (whether held by the Trustee or already vested or transferred to the Selected Participants) together with the aggregate number of Shares (other than the Awarded Shares) held by the Trustee taken as a whole exceeding ten (10) per cent of the total issued Shares of the Company at any time (the "Max Shares Threshold"). The Award Committee shall not instruct the Trustee to purchase and/or subscribe for any Shares for the purpose of the Scheme if such purchase and/or subscription of Shares will result in the Max Shares Threshold being exceeded.

Unless approved by the Board, the Award Committee shall not grant any Awarded Shares to any Selected Participant if the granting of such Awarded Shares would result in the total number of Shares vested or to be vested in that Selected Participant during any twelve (12) month period exceeding 1 per cent of the total Shares then in issue (save and except that any grant of Awarded Shares to an independent non-executive director of the Company should not result in the total number of Shares vested or to be vested in that person (under this Scheme or otherwise) during any twelve (12) month period exceeding 0.1 per cent of the total Shares then in issue).

Since the Share Award Adoption Date and up to 31 December 2021, no share award has been granted by the Company.

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

As at 31 December 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)	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)	32,000,000 (L)	5.01%
Ms. Lisa Li-Seliger	Beneficial owner (Note 5)	32,000,000 (L)	5.01%
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%

Directors' Report

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 2021.

3. 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.

4. 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.

5. Ms. Lisa Li-Seliger is the spouse of Mr. Seliger and was interested in 25,600,000 shares. Mr. Seliger was therefore deemed to be interested in the 25,600,000 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 31 December 2021, 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 heldby Mr. Lee.

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

As at 31 December 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 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 2021.

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.

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 31 December 2021.

Management Contracts

Other than the Directors' service contracts, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at 31 December 2021 or at any time during the year ended 31 December 2021.

Directors' Interest in Competing Business

During the year, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interests (other than their interest in the Company or its subsidiaries) in any business which competed or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

Arrangements to Purchase Shares or Debentures

Save as disclosed above, at no time during the year was the Company, its holding company or any of its subsidiaries, a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Bank Borrowings

Particulars of the bank borrowings of the Group as at 31 December 2021 are set out in Note 27 to the financial statements.

Directors' Interests in Transactions, Arrangements and Contracts of Significance

Other than as disclosed in Note 35 to the consolidated financial statements, no transactions, arrangements and contracts of significance to which the Company, its holding company or subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Major Customers and Suppliers

For the year ended 31 December 2021, the Group's largest customer accounted for approximately 13.6% of the Group's total revenue. The five largest customers accounted for approximately 45.2% of the Group's revenue. For the year ended 31 December 2021, the Group's largest supplier accounted for approximately 30.6% of the Group's total purchases. The five largest suppliers comprised 73.6% of the Group's total purchases.

At no time during the year did a director, an associate of a director or a shareholder of the Company (which to the knowledge of the directors owned more than 5% of the Company's issued share capital) have an interest in any of the Group's five largest customers or suppliers.

Emolument Policy

The emolument policy for the employees of the Group is set up by the Board on the basis of the employees' merit, qualifications and competence.

The emoluments of the directors of the Company are decided by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Continuing Connected Transaction

The Company confirms that the related party transaction as disclosed in Note 35 (Related party disclosures) to the financial statements in this report falls under the de minimis transactions exemption and is fully exempt under Rule 14A.76 of the Listing Rules.

Save as disclosed above, there were no other connected transactions/continuing connected transactions which are required to be disclosed in this annual report in accordance with the requirements of Chapter 14A of theListing Rules.

Retirement Benefits Scheme

Details of contributions to the retirement benefits scheme of the Group are set out in Note 31 to the consolidated financial statements.

Contracts of Significance

Save as disclosed in the section headed "Continuing Connected Transaction" in this report and Note 35 (Related party disclosures) to the financial statements, no contracts of significance in relation to the Company's business to which the Company, or its subsidiaries was a party and in which a Director has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries and no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out in the financial summary section on page 164 of this annual report.

Use of Proceeds

Please refer to the paragraph headed "Use of Proceeds from the IPO" in the "Management Discussion and Analysis" section of this annual report.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2021.

Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Company's bye-laws, or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

Tax Relief and Exemption

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

Permitted Indemnity Provision

Pursuant to the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. The relevant provisions in the Articles of Association were in force during the year ended 31 December 2021.

Auditor

The consolidated financial statements for the year ended 31 December 2021 were audited by Messrs. Deloitte Touche Tohmatsu who will retire at the forthcoming Annual General Meeting and offer themselves for re-appointment. A resolution for the re-appointment of Messrs. Deloitte Touche Tohmatsu as auditor of the Company and to authorize the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board
Lever Style Corporation

Szeto Chi Yan Stanley
CHAIRMAN

Hong Kong, 30 March 2022

Independent Auditor's Report

Deloitte. 德勤

TO THE SHAREHOLDERS OF LEVER STYLE CORPORATION
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Lever Style Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 77 to 163, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. The matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Key Audit Matter (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the involvement of high degree of estimation made by the management and uncertainty in the assessment of credit risks of trade receivables. As explained in the note 18 to the consolidated financial statements, the Group applied the simplified approach to provide for expected credit losses ("ECL") for trade receivables and assessed them individually for impairment allowance based on the historical credit losses experience, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate. As further disclosed in that note, the Group's trade receivables amounting to US$11,764,633, which represented approximately 13.6% of total assets of the Group and out of which trade receivables of US$3,636,419 were past due as at 31 December 2021. The Group recognised an impairment loss of US$36,473 on trade receivables under ECL model during the year ended 31 December 2021.	Our procedures in relation to impairment assessment of trade receivables included: • Obtaining an understanding of how the management estimates the loss allowance for trade receivables; • Challenging management's basis and judgment in determining ECL of trade receivables as at 31 December 2021 including the assessment of internal credit rating, basis of estimated loss rates applied in individual trade debtors (with reference to historical default rates and forward-looking information); • Testing subsequent settlements of trade receivables, on a sample basis, by inspecting supporting documents such as bank advices.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Lin, Sze Wai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	NOTES	2021 US$	2020 US$
Revenue	5	**143,687,303**	87,729,901
Cost of sales		**(104,013,139)**	(61,785,654)
Gross profit		**39,674,164**	25,944,247
Other income	6	**435,980**	754,626
Other gains and losses	7	**(120,805)**	(176,394)
Impairment loss on trade receivables under expected credit loss model		**(36,473)**	(208,844)
Selling and distribution expenses		**(19,968,812)**	(14,387,446)
Administrative expenses		**(14,082,580)**	(11,310,956)
Finance costs	8	**(605,064)**	(607,911)
Profit before tax		**5,296,410**	7,322
Income tax (charge) credit	9	**(978,533)**	100,581
Profit for the year	10	**4,317,877**	107,903
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**117,341**	276,170
Total comprehensive income for the year		**4,435,218**	384,073
Earnings per share (US cents)	13		
– basic		**0.68**	0.02
– diluted		**0.68**	0.02

Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	2021 US$	2020 US$
Non-current assets			
Plant and equipment	14	**2,165,596**	1,668,198
Right-of-use assets	15	**3,211,860**	5,496,316
Intangible assets	16	**5,119,030**	752,202
Deposit paid for plant and equipment		**21,675**	270,573
Deferred tax assets	28	**156,080**	159,305
		10,674,241	8,346,594
Current assets			
Inventories	17	**20,474,856**	12,322,508
Trade and bills receivables	18	**11,866,641**	3,878,992
Trade receivables at fair value through other comprehensive income	19	**6,369,640**	5,755,737
Deposits, prepayments and other receivables	20	**17,249,049**	14,134,223
Derivative financial assets	21	**54,682**	–
Tax recoverable		**44,982**	229,039
Bank balances and cash	22	**19,866,056**	17,762,584
		75,925,906	54,083,083
Current liabilities			
Trade and bills payables	23	**16,230,329**	8,796,092
Other payables and accruals	24	**3,336,590**	1,608,185
Contract liabilities	25	**1,811,234**	981,722
Lease liabilities	26	**838,084**	1,185,334
Tax payables		**711,442**	137,459
Bank borrowings	27	**24,599,562**	13,940,671
		47,527,241	26,649,463
Net current assets		**28,398,665**	27,433,620
Total assets less current liabilities		**39,072,906**	35,780,214

Consolidated Statement of Financial Position

At 31 December 2021

	NOTES	2021 US$	2020 US$
Non-current liabilities			
Lease liabilities	26	**2,644,250**	4,403,332
Bank borrowings	27	**–**	4,495
Other payables	24	**482,000**	–
Deferred tax liabilities	28	**103,186**	–
		3,229,436	4,407,827
		35,843,470	31,372,387
Capital and reserves			
Share capital	29	**820,640**	820,640
Reserves		**35,022,830**	30,551,747
		35,843,470	31,372,387

The consolidated financial statements on pages 77 to 163 were approved and authorised for issue by the board of directors on 30 March 2022 and are signed on its behalf by:

Lee Yiu Ming
DIRECTOR

Szeto Chi Yan Stanley
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Share capital US$	Share premium US$	Merger reserve US$ (note i)	Statutory reserve US$ (note ii)	Share-based payments reserve US$	Exchange reserve US$	Retained profits US$	Total US$
At 1 January 2020	821,799	29,749,900	(13,295,621)	170,405	–	(609,042)	17,508,488	34,345,929
Profit for the year	–	–	–	–	–	–	107,903	107,903
Exchange differences arising on translation of foreign operations	–	–	–	–	–	276,170	–	276,170
Total comprehensive income for the year	–	–	–	–	–	276,170	107,903	384,073
Transfer to statutory reserve	–	–	–	90,719	–	–	(90,719)	–
Dividends recognised as distribution (note 12)	–	(3,302,459)	–	–	–	–	–	(3,302,459)
Repurchase and cancellation of shares (note 29)	(1,159)	(53,678)	–	–	–	–	–	(54,837)
Transaction costs attributable to repurchase and cancellation of shares	–	(319)	–	–	–	–	–	(319)
At 31 December 2020	820,640	26,393,444	(13,295,621)	261,124	–	(332,872)	17,525,672	31,372,387
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**4,317,877**	**4,317,877**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**–**	**117,341**	**–**	**117,341**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**117,341**	**4,317,877**	**4,435,218**
Transfer to statutory reserve	**–**	**–**	**–**	**76,640**	**–**	**–**	**(76,640)**	**–**
Recognition of equity-settled share base payment (note 36)	**–**	**–**	**–**	**–**	**35,865**	**–**	**–**	**35,865**
At 31 December 2021	**820,640**	**26,393,444**	**(13,295,621)**	**337,764**	**35,865**	**(215,531)**	**21,766,909**	**35,843,470**

Notes:

(i) The amount represents the difference between the total equity of Lever Style Inc. and its subsidiaries and the nominal value of share capital issued by the Company pursuant to the reorganisation on 8 April 2020, in which the Company became the holding company of the companies then compromising the Group. The entities compromising the Group are controlled by the controlling shareholder before and after the reorganisation.

(ii) 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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 US$	2020 US$
OPERATING ACTIVITIES		
Profit before tax	**5,296,410**	7,322
Adjustments for:		
Finance costs	**605,064**	607,911
Interest income	**(23,461)**	(101,062)
Depreciation of plant and equipment	**591,045**	469,324
Depreciation of right-of-use assets	**900,626**	729,875
Amortisation of intangible assets	**115,172**	–
Gain on disposals/write-off of plant and equipment	**(28,023)**	–
Impairment loss on inventories	**59,086**	44,542
Impairment loss on trade receivables under expected credit loss model	**36,473**	208,844
Share based payment expenses	**35,865**	–
Fair value gains on derivatives financial assets	**(54,682)**	–
Operating cash flows before movements in working capital	**7,533,575**	1,966,756
(Increase) decrease in inventories	**(8,189,248)**	1,339,118
(Increase) decrease in trade and bills receivables	**(7,991,871)**	4,057,911
Increase in deposits, prepayments and other receivables	**(3,024,974)**	(2,711,790)
(Increase) decrease in trade receivables at fair value through other comprehensive income	**(613,903)**	5,801,595
Increase (decrease) in trade and bills payables	**7,469,773**	(3,962,414)
Increase (decrease) in other payables and accruals	**1,710,511**	(1,346,997)
Increase in contract liabilities	**821,003**	675,269
Cash generated from operations	**(2,285,134)**	5,819,448
Income taxes paid	**(107,934)**	(1,885,908)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(2,393,068)**	3,933,540
INVESTING ACTIVITIES		
Purchase of intangible assets	**(4,000,000)**	–
Purchase of plant and equipment	**(820,487)**	(625,428)
Deposit paid for plant and equipment	**(21,675)**	(270,573)
Interest received	**23,461**	101,062
Proceeds from disposal of plant and equipment	**53,807**	–
NET CASH USED IN INVESTING ACTIVITIES	**(4,764,894)**	(794,939)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	2021 **US$**	2020 US$
FINANCING ACTIVITIES		
Net addition of trust receipt loans	**9,960,197**	3,269,135
New bank borrowings raised	**2,744,018**	4,006,462
Repayment of bank borrowings	**(2,049,819)**	(5,055,309)
Repayment of lease liabilities	**(712,550)**	(763,469)
Interest paid	**(605,064)**	(607,911)
Dividend paid	**–**	(3,302,459)
Payment on repurchase and cancellation of shares	**–**	(54,837)
Transaction costs attributable to repurchase and cancellation of shares	**–**	(319)
NET CASH FROM (USED IN) FINANCING ACTIVITIES	**9,336,782**	(2,508,707)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**2,178,820**	629,894
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**17,762,584**	17,020,045
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	**(75,348)**	112,645
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash	**19,866,056**	17,762,584

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. General Information

Lever Style Corporation (the "Company") is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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, Hong Kong.

Its immediate and ultimate holding company are Lever Style Holdings Limited 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 Company is an investment holding company. The principal activities of its subsidiaries are set out in note 37.

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

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the 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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "Committee") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

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

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Amendments to HKFRSs that are mandatorily effective for the current year (Continued)

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures ("HKFRS 7").

As at 1 January 2021, the Group has financial liabilities, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The bank borrowings carry interest at a premium over Hong Kong Interbank Offered Rate ("HIBOR") or Longdon Interbank Offered Rate ("LIBOR").

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to HKAS 8	Definition of Accounting Estimates[3]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020[2]

1 Effective for annual periods beginning on or after 1 April 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 Effective for annual periods beginning on or after a date to be determined

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

HKAS 1 is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments is not expected to have significant impact on the financial position or performance of the Group but may affect the disclosures of the Group's significant accounting policies. The impacts of application, if any, will be disclosed in the Group's future consolidated financial statements.

Amendments to HKAS 8 Definition of Accounting Estimates

The amendments define accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty – that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such a case, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. Developing accounting estimates involves the use of judgements or assumptions based on the latest available, reliable information.

In addition, the concept of changes in accounting estimates in HKAS 8 is retained with additional clarifications.

The application of the amendments is not expected to have significant impact on the Group's consolidated financial statements.

2. Application of Amendments to Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 *Income Taxes* so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to US$3,211,860 and US$3,482,334, respectively. The Group is still in the process of assessing the full impact of the application of the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings at the beginning of the earliest comparative period presented.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below.

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKFRS 16 "Leases" and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Basis of preparation of consolidated financial statements (Continued)

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

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

Significant accounting policies

Basis of consolidation

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

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

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

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

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

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Contingent consideration in relation to an asset acquisition

At the acquisition date, the contingent consideration is measured at its fair value and included in the cost of the relevant assets on initial recognition.

The contingent consideration that is classified as an asset or a liability is subsequently re-measured to fair value at each reporting date, with the corresponding gain or loss being recognised in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligations is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract liability relating to the same contract are accounted for and presented on a net basis.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer.

When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial recognition, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases

The Group applies the short-term lease recognition exemption to leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis or another systematic basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets (Continued)

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item in the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted for under HKFRS 9 "Financial Instruments" ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use assets. When the modified contract contains a lease component and one or more additional lease, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

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

Borrowing costs

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

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as a deduction from the carrying amount of the relevant asset in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "other income".

Employee benefits

Retirement benefits costs

Payments to the state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Share-based payments

Equity-settled share-based payment transactions

Shares/share options granted to employees

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant date without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest based on assessment of all relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the share-based payments reserve.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will be transferred to retained profits.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Taxation

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

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Taxation (Continued)

For the purpose of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences relating to right-of-use assets and lease liabilities are not recognised at initial recognition and over the lease terms due to application of the initial recognition exemption. Temporary difference arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Plant and equipment

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

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

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Intangible assets acquired separately

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.

Impairment on plant and equipment, right-of-use assets and intangible assets

At the end of the reporting period, the Group reviews the carrying amounts of its plant and equipment, right-of-use assets and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of plant and equipment, right-of-use assets and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash- generating units.

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Impairment on plant and equipment, right-of-use assets and intangible assets (Continued)

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Financial instruments

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

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15"). Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL").

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Interest income recognised on financial assets at amortised cost and FVTOCI

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and receivables subsequently measured at FVTOCI. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method are recognised in profit or loss. All other changes in the carrying amount of these receivables are recognised in other comprehensive income ("OCI"). Impairment allowances are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these receivables had been measured at amortised cost. When these receivables are derecognised, the cumulative gains or losses previously recognised in OCI are reclassified to profit or loss.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (include trade and bills receivables, trade receivables at FVTOCI, deposits and other receivables and bank balances) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and trade receivables at FVTOCI. The ECL on these assets is assessed individually.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on whether there are significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (i) it has a low risk of default, (ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weight.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade receivables where the corresponding adjustment is recognised through a loss allowance account. For receivables that are measured at FVTOCI, the loss allowance is recognised in OCI without reducing the carrying amount of these receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

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

On derecognition of a financial asset classified at FVTOCI, the cumulative gain or loss previously accumulated in the FVTOCI reserve is reclassified to profit or loss.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities including trade and bills payables, other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration in relation to an asset acquisition or (ii) held for trading.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Derecognition of financial liabilities

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

3. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (Continued)

Significant accounting policies (Continued)

Financial instruments (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date when derivative contracts are entered into and are subsequently remeasured to their fair value at the end of the reporting period. The resulting gain or loss is recognised in profit or loss.

Club membership

The club membership of the Group represents a golf club membership with indefinite useful lives which are carried at cost less any subsequent accumulated impairment losses.

The club membership is tested for impairment at least annually, and whenever there is any indication that it may be impaired by comparing its carrying amount with the recoverable amount. If the recoverable amount is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognised in profit or loss.

If an impairment loss subsequently reverses, the carrying amount is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the original cost. A reversal of an impairment loss is recognised in profit or loss.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Critical judgments in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below), that the directors of the Company have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Principal versus agent consideration (principal)

The Group engages in trading of garment. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and the Group has inventory risk.

Key sources of estimation uncertainty

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

Provision of ECL for trade receivables

The management estimates the amount of loss allowance of trade receivables based on the historical credit loss experience, adjusted for factors that are specified to the debtors and general economic conditions of the industry in which the debtors operate. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The assessment of credit risk of trade receivables involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may adjust in the year of revision accordingly. As at 31 December 2021, the carrying amount of trade receivables is US$11,764,633 (2020: US$3,603,808), net of allowance for ECL of US$177,490 (2020: US$212,688). Details are disclosed in note 18.

4. Critical Accounting Judgments and Key Sources of Estimation Uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Assessment of net realisable value of inventories

Inventories are stated at the lower of cost and net realisable values. The management is required to exercise judgment in identifying slow-moving and obsolete inventories and determine the write-down of inventories based on the latest selling price and market conditions at the end of the year. The identification of slow-moving and obsolete inventories is based on the aged analysis of inventories and recent or subsequent usage/sales. When the actual net realisable values are lower than expectation, such difference will impact the carrying amounts of inventories. As at 31 December 2021, the carrying amount of inventories is US$20,474,856 (2020: US$12,322,508).

5. Revenue and Segment Information

(a) Revenue

The Group is principally engaged in the trading of garment. 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 obtains control of goods delivered.

The Group sells garment products to notable digitally native and conventional customers. Revenue is recognised when control of goods has transferred, that is, when the goods have been shipped to the customers' specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. The contracts for sales of garment products are for periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to the unsatisfied contracts is not disclosed.

5. Revenue and Segment Information (Continued)

(b) Segment information

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 year:

	2021 **US$**	2020 US$
Outerwear	**42,252,183**	19,276,674
Bottoms	**34,181,353**	22,035,801
Shirts	**32,085,009**	26,830,596
Knit	**9,780,348**	3,402,882
Suit	**7,018,762**	7,720,021
Soft woven	**6,481,911**	4,981,614
Sweater	**6,350,385**	2,361,403
Others	**5,537,352**	1,120,910
Total	**143,687,303**	87,729,901

5. Revenue and Segment Information (Continued)

(b) 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.

	2021 US$	2020 US$
United States of America	**78,819,295**	52,818,832
Europe	**30,185,876**	19,800,231
Greater China#	**14,236,666**	7,148,148
Oceania	**8,960,548**	4,879,935
Others	**11,484,918**	3,082,755
	143,687,303	87,729,901

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.

Information about major customers

All of the Group's revenue are made directly with the customers and the contracts with the Group's customers are mainly short-term and at fixed price.

Revenue from individual customer contributing over 10% of the total revenue of the Group is as follows:

	2021 US$	2020 US$
Customer A	**19,633,124**	15,445,922
Customer B	**14,931,530**	13,437,950

6. Other Income

	2021 US$	2020 US$
Claims received	**370,802**	263,307
Interests on bank deposits	**23,461**	101,062
Government grants (note)	**3,796**	247,257
Others	**37,921**	143,000
	435,980	754,626

Note: During the year ended 31 December 2020, the Group recognised government grants of US$212,732 in respect of Covid-19-related subsidies, of which US$142,197 was related to Employment Support Scheme provided by the Government of the Hong Kong Special Administrative Region (2021: nil).

7. Other Gains and Losses

	2021 US$	2020 US$
Gain on disposals/write-off of plant and equipment	**28,023**	–
Net exchange loss	**(203,279)**	(176,394)
Fair value gains on derivatives financial assets	**54,682**	–
Others	**(231)**	–
	(120,805)	(176,394)

8. Finance Costs

	2021 US$	2020 US$
Interest on bank borrowings	**400,455**	504,620
Interest expense on lease liabilities	**204,609**	103,291
	605,064	607,911

9. Income Tax Charge (Credit)

The tax charge (credit) for the year comprises:

	2021	2020
	US$	US$
Hong Kong Profits Tax:		
– Current tax	**766,688**	140,730
– Overprovision in prior years	**(21,062)**	(10,340)
– One-off tax reduction of profits tax by the Inland Revenue Department ("IRD")	**–**	(1,290)
	745,626	129,100
PRC Enterprise Income Tax ("EIT")		
– Current tax	**111,276**	53,752
– Under(over)provision in prior years	**15,220**	(87,131)
	126,496	(33,379)
Deferred tax (note 28)	**106,411**	(196,302)
	978,533	(100,581)

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%.

9. Income Tax Charge (Credit) (Continued)

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 years and 利華設計院（深圳）有限公司 is qualified as Small Low-profit Enterprises with annual taxable income less than RMB3 million in 2020. 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% (2020: 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. 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 (2021 Edition) in 2021.

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

Taxation for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 US$	2020 US$
Profit before tax	**5,296,410**	7,322
Tax at Hong Kong Profits Tax rate of 16.5%	**873,908**	1,208
Tax effect of income not taxable for tax purposes	**(14,035)**	(45,416)
Tax effect of expenses not deductible for tax purposes	**166,748**	122,750
Effect of different tax rate of subsidiaries operating in other jurisdiction	**(8,967)**	(10,380)
Under(over)provision in prior years	**(5,842)**	(97,471)
One-off tax reduction of profits tax by the IRD	**–**	(1,290)
Tax concession	**(33,279)**	(69,982)
Taxation for the year	**978,533**	(100,581)

Details of deferred taxation are set out in note 28.

10. Profit for the Year

	2021 US$	2020 US$
Profit for the year has been arrived at after charging and crediting:		
Directors' remuneration (note 11(a))	**1,231,448**	2,026,814
Other staff costs		
– salaries and other allowances	**10,733,098**	7,844,296
– share based payment expense	**35,865**	–
– redundancy cost (note)	**57,875**	582,739
– retirement benefit scheme contributions	**1,653,621**	896,200
Total staff costs	**13,711,907**	11,350,049
Auditor's remuneration	**321,049**	308,418
Cost of inventories as an expense	**103,954,053**	61,741,112
Impairment loss on inventories	**59,086**	44,542
Depreciation of plant and equipment	**591,045**	469,324
Depreciation of right-of-use assets	**900,626**	729,875
Amortisation of intangible assets (included in selling and distribution expenses)	**115,172**	–
Expense relating to short-term leases	**175,388**	181,051

Note: For the year ended 31 December 2020, redundancy cost of US$582,739 was recognised in profit or loss which is resulted from a redundancy exercise undertaken by the Group due to the uncertainty of the global economic environment and the decrease of customers' demand as a result of the outbreak of COVID-19.

11. Directors', Chief Executive's and Employees' Emoluments

(a) Directors' and Chief Executive's Emoluments

Details of the emoluments paid or payable by the entities comprising the Group to the directors of the Company and the chief executive of the Company (including emoluments for services as employees or directors of the group entities prior to becoming the directors or chief executive of the Company) during the year are as follows:

	Directors' fee US$	Salaries and other allowances US$	Performance related bonus US$	Retirement benefit scheme contributions US$	Total US$
Year ended 31 December 2021					
Executive directors:					
Mr. Szeto	–	341,272	15,022	3,089	359,383
Mr. Chan Yuk Man Eddie ("Dr. Chan")	–	351,827	12,518	2,316	366,661
Mr. Lee Yiu Ming ("Mr. Lee")	–	277,542	34,747	2,316	314,605
Mr. Jonathan Lee Seliger#	–	102,956	–	772	103,728
Non-executive director:					
Mr. Kim William Pak*	14,167	–	–	–	14,167
Independent non-executive directors:					
Mr. See Tak Wah	32,000	–	–	–	32,000
Mr. Auyang Pak Hong Bernard	20,000	–	–	–	20,000
Mr. Lee Shing Tung Tommy	20,000	–	–	–	20,000
Mr. Anderson Dee Allen^	904	–	–	–	904
Total	87,071	1,073,597	62,287	8,493	1,231,448
Year ended 31 December 2020					
Executive directors:					
Mr. Szeto	–	289,569	432,963	3,096	725,628
Dr. Chan	–	316,248	360,802	2,322	679,372
Mr. Lee	–	251,516	280,976	2,322	534,814
Non-executive director:					
Mr. Kim William Pak*	15,000	–	–	–	15,000
Independent non-executive directors:					
Mr. See Tak Wah	32,000	–	–	–	32,000
Mr. Auyang Pak Hong Bernard	20,000	–	–	–	20,000
Mr. Lee Shing Tung Tommy	20,000	–	–	–	20,000
Total	87,000	857,333	1,074,741	7,740	2,026,814

11. Directors', Chief Executive's and Employees' Emoluments (Continued)

(a) Directors' and Chief Executive's Emoluments (Continued)

Dr. Chan is also the chief executive of the Company.

The executive directors' emoluments shown above were for their services in connection with the management of the affairs of the Group.

The non-executive director's and independent non-executive directors' emoluments shown above were mainly for their services as directors of the Group.

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

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to any of the directors or the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors or the chief executive of the Company waived or agreed to waive any emoluments during the years ended 31 December 2021 and 2020.

Appointed on 26 August 2021 and re-designated to a non-executive director on 28 February 2022

* Resigned on 10 December 2021

^ Appointed on 10 December 2021

11. Directors', Chief Executive's and Employees' Emoluments (Continued)

(b) Employees' Emoluments

The five highest paid individuals of the Group include four (2020: three) directors of the Company, whose remuneration are set out in note 11(a) above. The emoluments of the remaining one (2020: two) employees are as follows:

	2021 **US$**	2020 US$
Salaries and other allowances	**269,896**	319,051
Performance related bonus	**–**	15,326
Retirement benefit scheme contributions	**6,627**	9,077
	276,523	343,454

The emoluments of the remaining highest paid individuals were within the following bands:

	Number of employees	
	2021	2020
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**–**	–

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

During the years ended 31 December 2021 and 2020, no emoluments were paid by the Group to any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

12. Dividends

	2021 US$	2020 US$
Final, paid – nil cents per ordinary share for 2020 (2020: HK4 cents per ordinary share for 2019)	–	3,302,459

Final dividend of HK2.5 cents (2020: nil) per ordinary share was proposed by the directors of the Company for the year ended 31 December 2021.

13. 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:

	2021 US$	2020 US$
Earnings:		
Profit for the year for the purposes of calculating basic and diluted earnings per share	**4,317,877**	107,903

	2021	2020
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**639,100,000**	639,502,568

Computation of diluted earnings per share for the year ended 31 December 2021 did not assume the exercise of the Company's share option because the exercise price of those option was higher than the average market price for shares from the date of grant.

For the year ended 31 December 2020, the Company has no potential ordinary shares in issue.

14. Plant and Equipment

	Leasehold improvements US$	Furniture, fixtures and equipment US$	Computer equipment US$	Motor vehicles US$	Total US$
COST					
At 1 January 2020	832,125	179,939	1,117,121	356,321	2,485,506
Additions	5,016	64,994	726,278	199,116	995,404
Exchange realignment	57,872	12,769	40,970	–	111,611
At 31 December 2020	895,013	257,702	1,884,369	555,437	3,592,521
Additions	458,010	126,954	506,096	–	1,091,060
Disposals/written off	(85,567)	(619)	(154,832)	(76,812)	(317,830)
Exchange realignment	25,437	6,555	19,495	–	51,487
At 31 December 2021	1,292,893	390,592	2,255,128	478,625	4,417,238
DEPRECIATION					
At 1 January 2020	507,630	73,609	613,963	195,539	1,390,741
Provided for the year	168,743	22,273	187,132	91,176	469,324
Exchange realignment	44,762	1,021	18,475	–	64,258
At 31 December 2020	721,135	96,903	819,570	286,715	1,924,323
Provided for the year	188,408	32,982	270,110	99,545	591,045
Eliminated on disposals/written off	(85,567)	–	(129,048)	(76,812)	(291,427)
Exchange realignment	18,155	1,643	7,903	–	27,701
At 31 December 2021	842,131	131,528	968,535	309,448	2,251,642
CARRYING VALUES					
At 31 December 2021	450,762	259,064	1,286,593	169,177	2,165,596
At 31 December 2020	173,878	160,799	1,064,799	268,722	1,668,198

The above items of plant and equipment are depreciated on a straight-line basis over their estimated useful lives, at the following rates per annum:

Leasehold improvements	Over the shorter of the relevant lease term or 20%
Furniture, fixtures and equipment	20%
Computer equipment	20%
Motor vehicles	20%

As at 31 December 2021, the Group has pledged motor vehicles with a carrying value of US$5,888 (2020: US$23,658) to secure bank loans granted to the Group.

15. Right-of-Use Assets

	Leased properties US$
As at 31 December 2021	
Carrying amount	3,211,860
As at 31 December 2020	
Carrying amount	5,496,316
For the year ended 31 December 2021	
Depreciation charge	900,626
For the year ended 31 December 2020	
Depreciation charge	729,875

During the year ended 31 December 2021, the total cash outflows for leases (representing payments of principal and interest), additions to right-of-use assets and reductions to right-of-use assets were US$887,938 (2020: US$1,047,811) and US$48,553 (2020: US$4,901,637) and US$1,542,471 (2020: nil), respectively. The reductions to right-of-use assets represents the termination of a lease during the year.

For both years, the Group leases offices for its operations. Lease contracts are entered into for fixed term of 1–5 years. Lease terms are negotiated on an individual basis and contain different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The Group regularly entered into short-term leases for staff quarters. As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in note 10.

Restrictions or covenants on leases

In addition, lease liabilities of US$3,482,334 (2020: US$5,588,666) are recognised with related right-of-use assets of US$3,211,860 (2020: US$5,496,316) at 31 December 2021. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in note 26.

16. Intangible Assets

	Club membership US$	Trademarks US$	Patents US$	Customer list US$	Purchase orders US$	Total US$
COST						
At 1 January 2020 and 31 December 2020	752,202	–	–	–	–	752,202
Additions	–	800,000	182,931	3,493,093	5,976	4,482,000
At 31 December 2021	752,202	800,000	182,931	3,493,093	5,976	5,234,202
AMORTISATION						
At 1 January 2021 and 31 December 2020	–	–	–	–	–	–
Provided for the year	–	35,555	7,278	69,486	2,853	115,172
At 31 December 2021	–	35,555	7,278	69,486	2,853	115,172
CARRYING VALUES						
At 31 December 2021	752,202	764,445	175,653	3,423,607	3,123	5,119,030
At 31 December 2020	752,202	–	–	–	–	752,202

The club membership represents a golf club membership with indefinite useful lives in Hong Kong. Management considers that no impairment is identified with reference to the market price of the club membership.

The above intangible assets expect club membership have finite useful lives. Such intangible assets, expect club membership, are amortised on a straight-line basis over the following periods:

Trademarks	15 years
Patents	5 years
Customer list	10 years
Purchase orders	<1 year

16. Intangible Assets (Continued)

The Group acquired trade receivables, inventories, trademark and employed one employee of the vendors in February 2021, and acquired purchase orders, customer list and patents and employed several employees of another vendors in October 2021. The directors of the Company assess that both acquisitions are not business combinations and therefore are accounted for as acquisition of assets, because the respective acquired assets and transferred employees are not a business given that no substantive process has been acquired.

According to the relevant agreement of the transaction dated 12 October 2021, during the period from the transaction closing date to December 2026 ("the Relevant Period"), the Group is required to pay an amount of US$500,000 at any time upon the profits generated from the customers in the customer list reaching US$2,000,000, which is calculated on the basis of the formula in the agreement ("the Defined Profits"), and an another amount of US$500,000 if the Defined Profits reach a further US$1,200,000 thereafter. The maximum aggregate amount of additional payments is US$1,000,000. If the Defined Profits during the Relevant Period are less than the sum of US$3,200,000 and additional payments (if any), the vendors will repay the Group the difference in cash on or before 30 September 2027. Such contingent consideration is measured at fair value amounting to US$482,000 as at the reporting date and is included in other payables and accruals under note 24 to the consolidated financial statements.

17. Inventories

	2021 **US$**	2020 US$
Raw materials	**2,671,917**	1,850,312
Work in progress	**14,743,016**	10,138,064
Finished goods	**3,059,923**	334,132
	20,474,856	12,322,508

18. Trade and Bills Receivables

	2021 US$	2020 US$
Trade receivables – contracts with customers	**11,942,123**	3,816,496
Less: allowance for expected credit losses	**(177,490)**	(212,688)
	11,764,633	3,603,808
Bills receivables	**102,008**	–
Bills receivables discounted with recourse	**–**	275,184
	11,866,641	3,878,992

The Group allows credit period up to 60 days to its customers.

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

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

	2021 US$	2020 US$
0 to 30 days	**8,312,586**	1,297,676
31 to 60 days	**2,144,141**	1,207,268
Over 60 days	**1,307,906**	1,098,864
	11,764,633	3,603,808

No credit period is offered for sales to be settled by bills and they carry interest at market rates. The management believes that no impairment allowance on bills receivables is necessary as there is no significant change in credit quality and the balance are still considered fully recoverable. All bills received by the Group are with a maturity period of less than one year. Other than bills received, the Group does not hold any collateral over these balances.

18. Trade and Bills Receivables (Continued)

As at 31 December 2021, included in the Group's trade receivables balances are receivables with aggregate carrying amount of US$3,636,419 (2020: US$2,598,312), 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.

The Group applies the simplified approach to provide for ECL. For trade and bills receivables, they are assessed individually for impairment allowance based on the historical credit losses experience, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, including time value of money where appropriate.

The Group rebutted the presumption of default under ECL model for trade receivables over 90 days past due based on good repayment records for those customers and continuous business with the Group. The grouping is regularly reviewed by the management of the Group to ensure relevant information about specific debtors is updated.

Details of impairment assessment of trade and bills receivables are set out in note 33.

Transfer of financial assets

The followings were the Group's financial assets at the end of the reporting period that were transferred to a bank by discounting those receivables on a recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured bank borrowings (see note 27). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2021 **US$**	2020 US$
Carrying amount of bills receivables discounted	**–**	275,184
Carrying amount of associated liabilities	**–**	(275,184)
Net position	**–**	–

19. 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.

	2021 **US$**	2020 US$
0 to 30 days	**5,887,562**	4,294,232
31 to 60 days	**482,078**	1,440,123
Over 60 days	**–**	21,382
	6,369,640	5,755,737

As at 31 December 2021, included in the Group's trade receivables at FVTOCI balances are debtors with aggregate carrying amount of US$13,124 (2020: 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.

Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in note 33(c).

Details of impairment assessment of trade receivables at FVTOCI are set out in note 33.

20. Deposits, Prepayments and Other Receivables

	2021 **US$**	2020 US$
Deposits	**209,896**	229,250
Prepayments to suppliers	**16,082,999**	13,560,421
Other receivables	**956,154**	344,552
	17,249,049	14,134,223

21. Derivative Financial Assets

	2021 **US$**
Foreign currency forward contracts	**54,682**

Major terms of the currency forward contracts as at 31 December 2021 are as follows:

Notional amount	**Maturity**	**Exchange rates**
Buy RMB6,900,000	18 March 2022	US$1:RMB6.52
Buy RMB5,400,000	14 April 2022	US$1:RMB6.46
Buy RMB4,300,000	14 January 2022	US$1:RMB6.49
Buy RMB4,300,000	10 June 2022	US$1:RMB6.45
Buy RMB4,100,000	18 February 2022	US$1:RMB6.51
Buy RMB4,000,000	13 May 2022	US$1:RMB6.44
Buy RMB2,500,000	14 January 2022	US$1:RMB6.39
Buy RMB1,000,000	14 January 2022	US$1:RMB6.42
Buy RMB1,000,000	18 February 2022	US$1:RMB6.37
Buy RMB1,000,000	18 March 2022	US$1:RMB6.38
Buy RMB1,000,000	14 April 2022	US$1:RMB6.43
Buy RMB1,000,000	17 June 2022	US$1:RMB6.42
Buy RMB800,000	20 May 2022	US$1:RMB6.41
Buy RMB600,000	14 January 2022	US$1:RMB6.36
Buy RMB500,000	14 April 2022	US$1:RMB6.39

22. Bank Balances and Cash

Bank balances carry interest at market interest rates of 0.001% to 0.1% (2020: 0.001% to 0.16%) per annum at 31 December 2021.

Details of impairment assessment of bank balances are set out in note 33.

23. Trade and Bills Payables

	2021	2020
	US$	US$
Trade payables	**15,917,895**	8,707,423
Bills payables	**312,434**	88,669
	16,230,329	8,796,092

The credit period on trade payables was 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.

	2021	2020
	US$	US$
0 to 30 days	**15,535,180**	7,806,589
31 to 60 days	**260,114**	472,932
Over 60 days	**122,601**	427,902
	15,917,895	8,707,423

24. Other Payables and Accruals

	2021 US$	2020 US$
Other payables	**–**	2,884
Accrued staff costs	**1,806,496**	895,560
Other accruals	**1,530,094**	709,741
Contingent consideration payable (note)	**482,000**	–
	3,818,590	1,608,185
Less: non-current liabilities contingent consideration payable	**(482,000)**	–
	3,336,590	1,608,185

Note: The amount represents the contingent consideration for the acquisition of intangible assets as detailed in note 16.

25. Contract Liabilities

Contract liabilities represent receipts in advance from customers for unsatisfied performance obligations and are recognised as revenue when the Group performs its obligations under the contracts. At a contract inception, performance obligation is expected to be satisfied within one year.

The revenue recognised upon delivery of goods that was included in the contract liabilities balance at the beginning of the year is US$981,722 (2020: US$298,064) for the year ended 31 December 2021.

26. Lease Liabilities

The exposure of the Group's lease liabilities are as follows:

	2021 US$	2020 US$
Analysed for reporting purposes as:		
Current liabilities	**838,084**	1,185,334
Non-current liabilities	**2,644,250**	4,403,332
	3,482,334	5,588,666

	2021 US$	2020 US$
Lease liabilities payable:		
Within one year	**1,004,907**	1,220,586
More than one year, but not exceeding two years	**1,082,144**	1,309,619
More than two years, but not exceeding five years	**1,761,289**	3,832,366
	3,848,340	6,362,571
Less: future finance charges	**(366,006)**	(773,905)
Lease liabilities	**3,482,334**	5,588,666
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(838,084)**	(1,185,334)
Amounts due for settlement after 12 months shown under non-current liabilities	**2,644,250**	4,403,332

The weighted average incremental borrowing rates applied to lease liabilities was at 5.5% (2020: 5.5%) per annum.

The lease liabilities of the Group are unguaranteed and secured by rental deposits.

27. Bank Borrowings

	2021 **US$**	2020 US$
Variable rate bank borrowings denominated in		
HK$ comprise:		
Bank loans	**4,469**	31,964
Trust receipt loans	**1,124,789**	450,139
	1,129,258	482,103
US$ comprise:		
Bank loans	**1,000,000**	278,307
Trust receipt loans	**22,057,739**	13,073,860
	23,057,739	13,352,167
RMB comprise:		
Trust receipt loans	**296,894**	–
Euro ("EUR") comprise:		
Trust receipt loans	**115,671**	110,896
	24,599,562	13,945,166
Analysed as:		
Secured (note)	**4,469**	310,271
Unsecured	**24,595,093**	13,634,895
	24,599,562	13,945,166

Note: The bank loans were secured by motor vehicles and bills receivables as set out in notes 14 and 18, respectively.

27. Bank Borrowings (Continued)

The bank borrowings carry interest at a premium over HIBOR or a premium over LIBOR. The effective interest rates on bank borrowings range from 1.66% to 2.08% (2020: 1.38% to 3.87%) per annum.

	2021 **US$**	2020 US$
Carrying amounts of bank borrowings based on scheduled repayment dates set out in the loan agreements:		
Within one year	**4,469**	27,718
More than one year, but not exceeding two years	**–**	4,495
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) with scheduled repayment dates set out in the loan agreements:		
Within one year	**24,595,093**	13,912,953
	24,599,562	13,945,166
Less: Amounts shown under current liabilities	**(24,599,562)**	(13,940,671)
Amounts shown under non-current liabilities	**–**	4,495

28. Deferred Taxation

The followings are the major deferred tax assets (liabilities) recognised and movements thereon during the year:

	Tax loss US$	Accelerated tax depreciation US$	ECL provision US$	Total US$
At 1 January 2020	–	(37,958)	–	(37,958)
Credited (charged) to profit or loss (note 9)	245,815	(89,695)	40,182	196,302
Exchange realignment	–	–	961	961
At 31 December 2020	245,815	(127,653)	41,143	159,305
Charged to profit or loss (note 9)	(84,517)	(7,165)	(14,729)	(106,411)
At 31 December 2021	161,298	(134,818)	26,414	52,894

For the presentation purposes on the consolidated statement of financial position, certain deferred tax assets (liabilities) have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose:

	2021 US$	2020 US$
Deferred tax assets	**156,080**	159,305
Deferred tax liabilities	**(103,186)**	–
	52,894	159,305

28. Deferred Taxation (Continued)

As at 31 December 2021, the Group has unused tax losses of US$977,567 (2020: US$1,489,788) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately US$977,567 (2020: US$1,489,788) of such losses.

At the end of the reporting period, the Group has deductible temporary differences arising from impairment loss on trade receivables under ECL model of US$36,473 (2020: US$208,844). A deferred tax asset has been recognised in respect of approximately US$36,473 (2020: US$208,844) of such deductible temporary differences.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately US$3,401,861(2020: US$2,629,323) for the year ended 31 December 2021 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

29. Share Capital

	Number of shares	**Amount**
		HK$
Ordinary shares of HK$0.01 each		
Authorised		
At 1 January 2020, 31 December 2020 and 2021	1,000,000,000	10,000,000
Issued and fully paid		
At 1 January 2020	640,000,000	6,400,000
Shares repurchased and cancelled (note)	(900,000)	(9,000)
At 31 December 2020 and 2021	639,100,000	6,391,000

29. Share Capital (Continued)

	2021 US$	2020 US$
Shown in the consolidated financial statements as	**820,640**	820,640

Note:

During the year ended 31 December 2020, the Company repurchased its own ordinary shares through the Stock Exchange as follows:

Month of repurchase	No. of ordinary shares of HK$0.01 each	Price per share Highest HK$	Lowest HK$	Aggregate paid HK$
May 2020	180,000	0.480	0.450	83,400
June 2020	408,000	0.510	0.475	199,400
July 2020	312,000	0.480	0.441	142,200
				425,000
				US$
Shown in the consolidated financial statements				54,837

The above ordinary shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

30. Pledge of Assets

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

	2021 **US$**	2020 US$
Motor vehicles	**5,888**	23,658
Bills receivables	**–**	275,184
	5,888	298,842

31. Retirement Benefits Plans

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees in Hong Kong under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at a rate of 5% specified in the rules, but subject to a cap. The only obligation of the Group with respect of the MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The employees employed in the PRC are members of the state-managed retirement benefit schemes operated by the PRC government. The PRC subsidiaries are required to contribute a certain percentage of their basic payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. No forfeited contribution is available to reduce the contribution payable in the future years.

The total expenses recognised in profit or loss of US$1,662,114 (2020: US$903,940) for the year ended 31 December 2021, represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

32. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior years.

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

The directors of the Company review the capital structure on a regular basis. As a part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new shares issued as well as the issue of new debt or the redemption of existing debt.

33. Financial Instruments

a. Categories of financial instruments

	2021 **US$**	2020 US$
Financial assets		
Financial assets at FVTOCI	**6,369,640**	5,755,737
Financial assets at amortised cost	**32,898,747**	22,215,378
Derivative financial assets	**54,682**	–
Financial liabilities		
Amortised cost	**40,829,891**	22,744,142
Contingent consideration payable	**482,000**	–

33. Financial Instruments (Continued)

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, trade receivables at FVTOCI, deposits and other receivables, bank balances and cash, trade and bills payables, other payables, lease liabilities, bank borrowings, contingent consideration payable and derivative financial assets. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Currency risk

The Group has monetary assets and liabilities that are denominated in foreign currencies. 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.

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

	Assets		**Liabilities**	
	2021	2020	**2021**	2020
	US$	US$	**US$**	US$
HK$	**150,355**	13,100,544	**284,541**	785,578
RMB	**1,519,079**	81,071	**1,831,452**	87,114
EUR	**43,763**	211	**6,754**	117,649

33. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis

The management consider the Group does not expose to HK$ currency risk due to the pegged rate system of HK$ against US$. The Group mainly exposes material foreign currency risk on fluctuation of RMB, during the year.

The following table details the Group's sensitivity to a 5% increase in functional currency of the Group against RMB and EUR. 5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in RMB and EUR. The sensitivity analysis includes only outstanding RMB and EUR monetary items and adjusts their translation at the end of the reporting period for a 5%. A positive number below indicates an increase in post-tax profit where 5% increases of RMB and EUR against functional currency of the Group. For a 5% weakening of RMB and EUR against functional currency of the Group, there would be an equal and opposite impact on the post-tax profit.

	2021 **US$**	2020 US$
RMB	**(13,042)**	(252)
EUR	**1,545**	(4,903)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (see note 26). The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see note 22) and bank borrowings (see note 27). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

In the opinion of the directors of the Company, the Group does not have material interest rate risk exposure and hence no sensitivity analysis is presented.

33. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

Trade receivables at amortised cost and FVTOCI

Before accepting any new customer, the Group uses an internal credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed twice a year. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

In order to minimise the credit risk, the management of the Group continuously monitor the credit quality of the debtors and the level of exposure to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual debt at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

In addition, the Group performs impairment assessment under ECL model on trade receivables individually and impairment loss of US$36,473 (2020: US$208,844) has been recognised during the year ended 31 December 2021. Details of the quantitative disclosures are set out below in this note.

33. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Bills receivables

The credit risk on bills receivables is limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies. For the year ended 31 December 2021 and 2020, the Group has assessed the impairment of bills receivables and has concluded that the probability of defaults of the counterparty banks is insignificant and accordingly, no allowance for credit losses is provided.

Bank balances

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies. For the year ended 31 December 2021 and 2020, the Group has assessed the impairment of bank balances and has concluded that the probability of defaults of the counterparty banks is insignificant and accordingly, no allowance for credit losses is provided.

Deposits and other receivables

For deposits and other receivables, the management makes periodic individual assessment on the recoverability of deposits and other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. The management believes that there are no significant increase in credit risk of these amounts since initial recognition and the Group provided impairment based on 12m ECL. For the year ended 31 December 2021 and 2020, the Group assessed the ECL for deposits and other receivables are insignificant and thus no loss allowance is recognised.

33. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group's internal credit risk grading assessment comprises the following categories:

Category	Description	Trade receivables/ trade receivables as FVTOCI	Other financial assets
Performing	The counterparty has a low risk of default and has no default record	Lifetime ECL – not credit-impaired	12m ECL
Doubtful	There has been a significant increase in credit risk since initial recognition	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
In default	There is evidence indicating that the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

The estimated loss rates are estimated based on historical observed default rates over the expected lives of the debtors and are adjusted for forward-looking information, including but not limited to general economic conditions of the industry in which the debtors operate, that is available without undue cost or effort.

The Group applies the simplified approach to provide for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables and trade receivables at FVTOCI.

Management assessed the expected loss on trade receivables at amortised cost and FVTOCI individually by estimation based on historical credit loss experience, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date.

33. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

In addition, the directors of the Company are of the opinion that there has no default occurred for trade receivables past due 90 days and the balances are still considered fully recoverable due to long term/on-going relationship and good repayment record from these customers.

In determining the ECL for bills receivables, deposits and other receivables, the management has taken into account the historical default experience and forward-looking information, as appropriate. For example, the Group has considered the consistently low historical default rate in connection with payments, and concluded that credit risk inherent in the Group's outstanding balances in bills receivables, deposits and other receivables is insignificant.

The management considers the bank balances that are deposited with the financial institutions with high credit rating to be low credit risk financial assets. The management considers the bank balances are short-term in nature and the probability of default is negligible on the basis of high-credit-rating issuers, and accordingly, loss allowance was considered as insignificant.

33. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

	NOTES	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
				2021 **US$**	2020 US$
Trade receivables	18	Performing	Lifetime ECL – not credit-impaired	**11,526,280**	3,037,780
		Doubtful	Lifetime ECL – not credit-impaired	**397,356**	707,541
		In default	Lifetime ECL – credit-impaired	**18,487**	71,175
				11,942,123	3,816,496
Trade receivables at FVTOCI	19	Performing	Lifetime ECL – not credit-impaired	**6,369,640**	5,755,737
Bills receivables discounted with recourse	18	Performing	12m ECL	**–**	275,184
Bills receivables	18	Performing	12m ECL	**102,008**	–
Deposits and other receivables	20	Performing	12m ECL	**1,166,050**	573,802
Bank balances	22	Performing	12m ECL	**19,866,056**	17,761,381

33. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables.

	Lifetime ECL (not credit-impaired) US$	Lifetime ECL (credit-impaired) US$	Total US$
As at 1 January 2020	–	–	–
Impairment losses recognised	141,513	67,331	208,844
Exchange realignment	–	3,844	3,844
As at 31 December 2020	141,513	71,175	212,688
Impairment losses recognised	17,902	18,571	36,473
Write off	–	(67,331)	(67,331)
Exchange realignment	(412)	(3,928)	(4,340)
As at 31 December 2021	159,003	18,487	177,490

Changes in the loss allowance for trade receivables are mainly due to:

	2021 Increase in lifetime ECL		2020 Increase in lifetime ECL	
	(not credit-impaired) US$	**(credit-impaired) US$**	(not credit-impaired) US$	(credit-impaired) US$
New trade receivables with a gross carrying amount of US$11,942,123 (2020: US$3,816,496)	**17,902**	**18,571**	141,513	67,331

33. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Liquidity risk

Ultimate responsibility for liquidity risk management rests with the management of the Group, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity requirements. The Group manages liquidity risk by maintaining adequate reserves and borrowing facilities and continuously monitoring forecast and actual cash flows.

The following table details the Group's remaining contractual maturity for its financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for other financial liabilities are based on the agreed repayment dates.

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate curve at the end of the reporting period.

33. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables

	Weighted average effective interest rate %	On demand or less than 1 month US$	1–3 months US$	3 months to 1 year US$	1–5 years US$	Total undiscounted cash flows US$	Carrying amount US$
As at 31 December 2021							
Trade and bills payables	–	15,847,614	260,114	122,601	–	16,230,329	16,230,329
Bank borrowings	1.89	24,595,093	4,477	–	–	24,599,570	24,599,562
Lease liabilities	5.50	83,300	163,430	758,177	2,843,433	3,848,340	3,482,334
Contingent consideration payable	–	–	–	–	482,000	482,000	482,000
		40,526,007	428,021	880,778	3,325,433	45,160,239	44,794,225
Derivatives – gross settlement							
Foreign currency forward contracts							
– inflow		14,583	32,131	10,264	–	56,978	56,978
– outflow		(223)	(857)	(1,216)	–	(2,296)	(2,296)
		14,360	31,274	9,048	–	54,682	54,682
As at 31 December 2020							
Trade and bills payables	–	7,772,771	620,035	403,286	–	8,796,092	8,796,092
Other payables	–	2,884	–	–	–	2,884	2,884
Bank borrowings	1.97	13,915,731	5,555	19,661	4,517	13,945,464	13,945,166
Lease liabilities	5.50	99,308	198,617	922,661	5,141,985	6,362,571	5,588,666
		21,790,694	824,207	1,345,608	5,146,502	29,107,011	28,332,808

33. Financial Instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2021, the aggregate carrying amounts of these bank borrowings amounted to US$24,595,093 (2020: US$13,913,202). As at 31 December 2021, taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Maturity Analysis – Bank borrowings with a repayment on demand clause based on scheduled repayments		
	Less than 1 year	**Total undiscounted cash outflows**	**Carrying amount**
	US$	US$	US$
31 December 2021	**24,635,263**	**24,635,263**	**24,595,093**
31 December 2020	14,004,574	14,004,574	13,913,202

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

33. Financial Instruments (Continued)

c. 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 31 December 2021		Fair value hierarchy at 31 December 2020		**Valuation techniques and key inputs**
	Level 2	**Total**	Level 2	Total	
	US$	**US$**	US$	US$	
Financial assets					
Trade receivables at FVTOCI	**6,369,640**	**6,369,640**	5,755,737	5,755,737	Note 1
Derivative financial assets	**54,682**	**54,682**	–	–	Note 2

	Fair value hierarchy at 31 December 2021		Fair value hierarchy at 31 December 2020		**Valuation techniques and key inputs**
	Level 3	**Total**	Level 3	Total	
	US$	**US$**	US$	US$	
Financial liabilities					
Contingent consideration payable	**482,000**	**482,000**	–	–	Note 3

Notes:

1. Discounted cash flow method is used to assess the present value of the cash flows to be derived from the receivables using the discount rates from the factoring arrangements.

2. Mark-to-market values is provided by the financial institution, which uses discounted cash flow method with future cash flows being estimated based on forward exchange rates and contracted exchange rates, discounted at market interest rates.

3. Discounted cash flow method was used to capture the present value of the expected future economic benefits that will flow out of the Group arising from the contingent consideration, based on an appropriate discount rate and probability-adjusted profits defined in note 16.

33. Financial Instruments (Continued)

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

There were no transfer between Level 2 and level 3 during the year.

c. Fair value measurements of financial instruments (Continued)

(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.

34. Reconciliation of Liabilities Arising From Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Lease liabilities	**Bank borrowings**	**Dividend payable**	**Total**
	US$	US$	US$	US$
At 1 January 2020	1,151,926	11,724,878	–	12,876,804
Exchange realignment	298,572	–	–	298,572
Financing cash flows	(866,760)	1,715,668	(3,302,459)	(2,453,551)
Interest expenses	103,291	504,620	–	607,911
New leases	4,901,637	–	–	4,901,637
Dividends recognised as distribution	–	–	3,302,459	3,302,459
At 31 December 2020	5,588,666	13,945,166	–	19,533,832
Exchange realignment	100,136	–	–	100,136
Financing cash flows	(917,159)	10,253,941	–	9,336,782
Interest expenses	204,609	400,455	–	605,064
New leases	48,553	–	–	48,553
Early termination	(1,542,471)	–	–	(1,542,471)
At 31 December 2021	3,482,334	24,599,562	–	28,081,896

35. Related Party Disclosures

(a) During the year, the Group entered into the following transactions with a related party:

Name of related parties	Nature of transactions	2021 US$	2020 US$
Calman Limited*	Short term lease expenses	**77,217**	77,306

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

(b) The Group's bank borrowings were secured by personnel guarantee from Mr. Bernard Szeto, a close family member of Mr. Szeto. The guarantee was released during the year ended 31 December 2020.

(c) Compensation of key management personnel

The remuneration of key management personnel which represents the executive directors of the Company during the year was as follows:

	2021 US$	2020 US$
Salaries and other allowances	**1,073,597**	857,333
Performance related bonus	**62,287**	1,074,741
Retirement benefit scheme contributions	**8,493**	7,740
	1,144,377	1,939,814

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

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

36. 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.

Eligible participants of the Share Option Scheme include the following:

(i) any employee (whether full time or part time) of the Group or any entity (the "Invested Entity") in which any member of the Group holds any shareholding (including any executive director but excluding any non-executive director of the Group or any Invested Entity);

(ii) any non-executive directors (including independent non-executive directors) of the Group or any Invested Entity;

(iii) any supplier of goods or services to any member of the Group or any Invested Entity;

(iv) any customer of the Group or any Invested Entity;

(v) any person or entity that provides research, development or other technological support to the Group or any Invested Entity;

(vi) any shareholder of any member of the Group or any Invested Entity or any holder of any securities issued by any member of the Group or any Invested Entity;

(vii) any adviser (professional or otherwise) or consultant to any area of business or business development of the Group or any Invested Entity; and

(viii) any other group or classes of participants who have contributed or may contribute by way of joint venture, business alliances or other business arrangement to the development and growth of the Group.

At 31 December 2021, the total number of shares available for issue under the Share Option Scheme is 64,000,000, representing approximately 10.00% of the issued share capital of the Company as at the date of this annual report. The maximum number of shares issuable upon exercise of the options which may be granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised and outstanding options) to each participant in any 12-month period shall not exceed 1% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

36. Share Option Scheme (Continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the Listing Rules), are subject to approval in advance by the independent non-executive directors (excluding independent non-executive director who is the grantee of the options). In addition, where any grant of share options to a substantial shareholder or an independent non-executive director, or to any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of the grant) in excess of HK$5 million, in a 12-month period up to and including the date of grant, such grant of share options are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, upon payment of a nominal consideration of HK$1 by the grantee. The exercise period for the share options granted is determined by the board of directors, which period may commence from the date of acceptance of the offer for the grant of share options but shall end in any event not later than 10 years from the date of the grant of the option subject to the provisions for early termination under the Share Option Scheme.

The subscription price for shares under the Share Option Scheme shall be a price determined by the board of directors, but shall not be less than the highest of (i) the closing price of shares as stated in the daily quotations sheet of the Stock Exchange on the date of the offer of the grant, which must be a business day; (ii) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the five trading days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

The table below discloses movement of the Share Option Scheme:

	Number of share options
Outstanding as at 1 January 2021	–
Granted during the year	6,400,000
Outstanding as at 31 December 2021	6,400,000

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 US$116,919.

36. 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 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$35,865 (2020: nil) for the year ended 31 December 2021 in relation to share options granted by the Company.

37. Particulars of Subsidiaries

As at the end of each reporting period, the Company has direct and indirect equity interests in the following subsidiaries:

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group		Principal activities
			2021	2020	
Directly held:					
Lever Style Inc.	British Virgin Islands ("BVI")	US$11,428	**100%**	100%	Investment holding
Indirectly held:					
Lever Shirt Holdings Limited	BVI	US$50,000	**100%**	100%	Investment holding
TTL Manufacturing Limited	BVI	US$1	**100%**	100%	Investment holding
Lever Garment Limited	Hong Kong	HK$2	**100%**	100%	Inactive
Lever Style Limited	Hong Kong	HK$10,100,000	**100%**	100%	Trading of garment
Levertex Company Limited	Hong Kong	HK$100,000	**100%**	100%	Trading of garment
Euford Enterprise Company Limited	Hong Kong	HK$10,000	**100%**	100%	Inactive
Plazzo Limited	Hong Kong	HK$2	**100%**	100%	Inactive
Lever Apparel Limited	Hong Kong	HK$10,000,000	**100%**	100%	Trading of garment
Topsun Garment Limited	Hong Kong	HK$1,500,000	**100%**	100%	Trading of garment
利華服飾智造(深圳)有限公司	PRC	HK$12,000,000	**100%**	100%	Trading of garment
利華設計院(深圳)有限公司	PRC	US$1,300,000	**100%**	100%	Design and trading of garment

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

38. Statement of Financial Position of the Company

	2021 US$	2020 US$
Non-current assets		
Investment in a subsidiary	**14,344,150**	14,344,150
Current assets		
Deposits, prepayments and other receivables	**149,920**	207,808
Amounts from subsidiaries	**12,636,695**	13,112,094
Bank balances and cash	**276,793**	47,232
	13,063,408	13,367,134
Current liabilities		
Other payables and accruals	**132,908**	174,360
Amount due to a subsidiary	**26,478**	26,633
	159,386	200,993
Net current assets	**12,904,022**	13,166,141
Total assets less current liabilities	**27,248,172**	27,510,291
Capital and reserves		
Share capital	**820,640**	820,640
Reserves (note 39)	**26,427,532**	26,689,651
	27,248,172	27,510,291

39. Reserves of the Company

Movement of the Company's reserves

Below is a table showing the movements of the reserves of the Company since its incorporation and up to 31 December 2021:

	Share premium US$	Capital reserve US$	Share-based payments reserve US$	(Accumulated losses) retained profits US$	Total US$
At 1 January 2020	29,749,900	286,662	–	(2,753,906)	27,282,656
Profit and total comprehensive income for the year	–	–	–	2,763,451	2,763,451
Dividends recognised as distribution	(3,302,459)	–	–	–	(3,302,459)
Repurchase and cancellation of shares	(53,678)	–	–	–	(53,678)
Transaction costs attributable to repurchase and cancellation of shares	(319)	–	–	–	(319)
At 31 December 2020	26,393,444	286,662	–	9,545	26,689,651
Loss and total comprehensive expense for the year	–	–	–	(297,984)	(297,984)
Recognition of equity-settled share base payment	–	–	35,865	–	35,865
At 31 December 2021	26,393,444	286,662	35,865	(288,439)	26,427,532

40. Major Non-Cash Transactions

During the year ended 31 December 2021, the Group entered into new lease agreements for the use of offices for two to five years and the Group recognised US$48,553 (2020: US$4,901,637) of right-of-use assets and US$48,553 (2020: US$4,901,637) of lease liabilities. During the year ended 31 December 2021, the Group terminated a lease for the use of offices and the Group recognised a reduction of right-of-use assets and lease liabilities of US$1,542,471 (2020: nil) and US$1,542,471 (2020: nil).

41. Capital Commitments

	2021 **US$**	2020 US$
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	**10,465**	347,753

Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years, as extracted from the audited consolidated financial statements and the Company's prospectus dated 31 October 2019 is set out below:

Results

	Year ended 31 December				
	2017 US$	2018 US$	2019 US$	2020 US$	**2021** **US$**
Revenue	100,794,678	115,885,610	121,983,142	87,729,901	**143,687,303**
Profit before tax	5,437,741	7,718,016	6,207,467	7,322	**5,296,410**
Income tax expense	(941,356)	(1,254,026)	(1,368,502)	100,581	**(978,533)**
Profit for the year	4,496,385	6,463,990	4,838,965	107,903	**4,317,877**

Assets and Liabilities

	Year ended 31 December				
	2017 US$	2018 US$	2019 US$	2020 US$	**2021** **US$**
Total assets	41,779,482	43,337,314	64,881,820	62,429,677	**86,600,147**
Total liabilities	(31,082,550)	(29,877,136)	(30,535,891)	(31,057,290)	**(50,756,677)**
Total equity	10,696,932	13,460,178	34,345,929	31,372,387	**35,843,470**