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THE APPAREL ENGINE FOR DIGITAL RETAIL



LEVER STYLE CORPORATION

利華控股集團

(Incorporated in the Cayman Islands with limited liability)

2023

INTERIM REPORT

STOCK CODE: 1346



 leverstyle

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Corporate Information

Board of Directors

Executive directors

Mr. SZETO Chi Yan Stanley (*Chairman*)
Dr. CHAN Yuk Mau Eddie
(*Chief Executive Officer (“CEO”)*)
Mr. LEE Yiu Ming

Independent non-executive directors

Mr. SEE Tak Wah
Mr. ANDERSEN Dee Allen
Ms. KESEBI Lale
Mr. LIU Gary

Audit Committee

Mr. SEE Tak Wah (*Chairman*)
Mr. ANDERSEN Dee Allen
Ms. KESEBI Lale
Mr. LIU Gary

Remuneration Committee

Mr. ANDERSEN Dee Allen (*Chairman*)
Mr. SEE Tak Wah
Mr. SZETO Chi Yan Stanley
Ms. KESEBI Lale
Mr. LIU Gary

Nomination Committee

Mr. SZETO Chi Yan Stanley (*Chairman*)
Mr. SEE Tak Wah
Mr. ANDERSEN Dee Allen
Ms. KESEBI Lale
Mr. LIU Gary

Company Secretary

Mr. LEE Yiu Ming

Registered Office

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

Principal Place of Business in Hong Kong

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

Principal Place of Business in China

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

Compliance Adviser

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

Auditor

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

Legal Advisor

Withers

30/F, United Centre
95 Queensway
Admiralty
Hong Kong

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited

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

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited

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

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited

HSBC Main Building
1 Queen's Road Central
Hong Kong

Hang Seng Bank Limited

83 Des Voeux Road Central
Central
Hong Kong

Bank of China (Hong Kong) Limited

Bank of China Tower
1 Garden Road
Hong Kong

Citibank, N.A.

3 Garden Road
Central
Hong Kong

Company Website

www.leverstyle.com

Stock Code

1346

Management Discussion and Analysis

Review

Against a much more challenging economic environment, the Group managed to achieve modest sales and profit growth of approximately 3.6% and 15.1% respectively in the first half of 2023 over the same period in 2022.

Assuming that the post-COVID rebound in consumer demand for apparel in the western world would continue, and with COVID-related supply chain disruption constraining supply volumes and deliveries, many brands and retailers placed orders of higher volumes than forecast and at earlier timing than usual. When the post-COVID rebound in consumer demand for apparel abruptly tapered off in mid-2022, many brands and retailers are facing severely bloated inventories and are therefore drastically cutting back buying in 2023.

Given the drop in demand for apparel from brands and retailers in 2023, the Group's slow growth means the Group is continuing to win market share from competitors, proving its versatile business model's resilience.

Future Prospects

Brands and retailers have been curtailing inventory purchases even though the global economy has not fallen into a recession. The management of the Group expects this depressed purchasing to continue through the next 12 months as brands and retailers continue to digest their bloated inventories. If the U.S. does not achieve the coveted soft landing and goes into recession, there will be even more downside for apparel demand from brands and retailers.

The Group has taken advantage of its unique asset-light production platform to outperform the industry in recent years. However, even the Group will have difficulty achieving high organic growth against a severe contraction of demand. Instead, the Group expects to turn to mergers and acquisitions as a key source of growth, as a difficult economy makes the Group's versatile production platform's advantages more apparent, making it easier for apparel supply chain companies to see the benefit of joining forces with its platform and switching to the Group's business model.

Uberizing our business

With the scale of the Group having more than doubled since 2020, not all product categories grew at the same pace and some product categories have grown better than others. The Group's own analysis showed that these stronger categories have more momentum for growth and are in general more profitable.

The management of the Group attributes this to the Uber flywheel effect. The more riders use Uber, the more cars Uber attracts; the more cars Uber has on its network, the less its riders have to wait for cars and therefore the more riders it attracts.

Similarly, when the Group has more demand from more customers in certain product categories, the Group will naturally on board more factory partners for these categories. The Group is thus able to offer more choice for its customers, and its customers find the Group more appealing and place more orders with the Group, propelling the flywheel.

While the Group is witnessing this virtuous cycle for its larger categories, the same cannot be said for its smaller product categories. To achieve this flywheel effect across the Group's entire production platform, the Group is planning to bring up the scale of its smaller categories with mergers and acquisitions or through margin subsidies in the short run.

Digital transformation

With the Group's tech leadership in place, the Group is now in earnest laying the groundwork for digitalizing its platform, for example by building a data warehouse to enable seamless management and analysis of data. While such tech investments may affect its earnings in the short-to-medium term, the management of the Group believes that digitalizing its platform will drive much more organic growth and make the Group one of the world's premier apparel production platforms in the long run. The management of the Group has not seen many others in the apparel industry pursue our platform model, and the Group aims to maintain and build its lead in this winner-takes-all world of platforms.

B Corp Certification

The apparel industry is known to be the second-most polluting industry in the world after the energy industry. The Group has determination to lead the industry's sustainability movement and to make it a force for good, and the Group is proud to share that it was recently informed of its imminent B Corp certification which represents high standards of social and environmental performance, accountability, and transparency. The Group will be joining other sustainability-minded apparel and footwear companies such as Patagonia, Eileen Fisher and AllBirds, and the Group will be one of very few apparel supply chain companies to have earned B Corp certification.

Conclusion

Although 2023's industry downturn is making the Group's organic growth much more modest, the Group is hoping mergers and acquisitions opportunities will make up for that growth shortfall in the medium term.

Lastly, I would like to use this opportunity to thank our team members, our customers and our supply partners for helping us achieve respectable first half 2023 results despite the severe economic headwinds.

Financial Review

Revenue

Revenue of the Group increased by approximately 3.6% from approximately US\$96.7 million in the first half of 2022 to approximately US\$100.2 million during the Period Under Review. This growth, against the backdrop of an industry downturn, is attributed to (1) the Company's increased number of active customers; (2) the Company's multiple categories offering; and (3) the Company's cross-selling ability.

Cost of sales

Cost of sales mainly comprises material costs and subcontracting fees. Cost of sales increased by approximately 3.1% from approximately US\$70.1 million in the first half of 2022 to approximately US\$72.3 million during the Period Under Review. Cost of sales as a percentage of total revenue decreased from approximately 72.5% in the first half of 2022 to 72.1% during the Period Under Review.

Gross profit and gross profit margin

Our gross profit increased from approximately US\$26.6 million in the first half of 2022 to approximately US\$27.9 million during the Period Under Review, representing an increase of approximately 4.8%, along with the business growth. Gross profit margin increased from approximately 27.5% in the first of 2022 to approximately 27.9% in the first half of 2023.

Profit for the Period Under Review

The Group recorded a net profit of approximately US\$5.8 million for the six months ended 30 June 2023 (six months ended 30 June 2022: approximately US\$5.1 million). The increase in profit for the Period Under Review is mainly attributable to the following factors:

- As a result of the increased number of active customers, multiple categories offering, and cross-selling ability, the gross profit increased by approximately US\$1.3 million from approximately US\$26.6 million in the first half of 2022 to approximately US\$27.9 million during the Period Under Review;
- An increase of administrative expense of approximately US\$1.1 million from approximately US\$8.3 million in the first half of 2022 to approximately US\$9.4 million in the first half of 2023 due to more talents have joined the Group;
- An aggregate of increase of other income (mainly due to bank interest income) of approximately US\$193,000 during the Period Under Review and decrease of finance cost (mainly due to bank interest expense) of approximately US\$295,000 during the Period Under Review due to the improvement of the Group's financial position.

Liquidity and Financial Resources

The Group maintains a healthy financial position. Cash and cash equivalents of the Group as at 30 June 2023 were approximately US\$7.0 million (at 31 December 2022: US\$23.5 million). As at 30 June 2023, the Group had net current assets of approximately US\$40.7 million. The current ratio maintained at approximately 2.2 times and 2.0 times as at both 30 June 2023 and 31 December 2022 respectively.

The Group obtained bank facilities to fulfil our working capital requirements and to finance our purchase of raw materials and payments to contract manufacturers. As at 30 June 2023, the Group had available banking facilities of approximately US\$65.0 million. Out of the total available banking facilities, we had unutilized banking facilities amounted for approximately US\$62.4 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\$46.4 million at 30 June 2023 (31 December 2022: US\$47.8 million). As at 30 June 2023, the gearing ratio of the Group was approximately 5.6% (31 December 2022: 22.5%). Gearing ratio is calculated based on the total debts (bank borrowings) divided by the total equity at the end of the period.

With the favorable cash and cash equivalents position of the Group, it has led to a net debt to equity ratio (total debts net of cash and bank balances divided by total equity at end of period) of approximately -9.6% as at 30 June 2023 (31 December 2022: -26.8%).

Contingent Liabilities

As at 30 June 2023, the Group had no material contingent liability (31 December 2022: Nil).

Employees and Remuneration

As at 30 June 2023, the Group employed a total of 310 full-time employees (31 December 2022: 338 employees). For the six months ended 30 June 2023, the aggregate remuneration of the Group's employees (including Directors' remuneration) amounted to approximately US\$9.9 million (six months ended 30 June 2022: US\$8.1 million), representing an increase of approximately 22.2%.

The Company recognises that employees are one of the Group's most important assets. The Company strongly believes in hiring the right talent, nurturing and retaining them. The Group remunerates its staff according to their performance, qualifications and industry practices, and conducts regular reviews of its remuneration policy. Employees may receive bonuses and monetary rewards based on their performance and ratings in annual performance appraisals. The Group also offers rewards or other incentives to motivate the personal growth and career development of employees. The Company adopted the share option scheme and the co-ownership share award scheme with the objectives to recognise contributions made by the eligible employees, to motivate career development and to retain the eligible employees for the continual operation, growth and future development of the Group. Please see the paragraph headed "Share Option Scheme" and "Co-ownership Share Award Scheme" below for details.

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

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

Foreign Currency Exposure

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

Events Occurred after 30 June 2023

There was no event after 30 June 2023 that required to be disclosed.

Pledge of Assets

As at 30 June 2023, pledge of assets of the Group are set out in Note 19 to the unaudited condensed consolidated financial statements.

Significant Investments Held

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

Material Acquisition or Disposal of Subsidiaries, Associates and Joint Ventures

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

Capital Commitments

As at 30 June 2023, capital commitments of the Group are set out in Note 18 to the unaudited condensed consolidated financial statements.

Other Information

Communication with Shareholders

The Company's 2023 Annual General Meeting (the "AGM") was held on 13 June 2023. All resolutions at the 2023 AGM were passed by way of a poll and the poll results were posted on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company on the same day.

Interim Dividend and Closure of Register of Members

An interim dividend of HK3.0 cents per share was declared by the Board for the six months ended 30 June 2023. The interim dividend is expected to be paid on or before Friday, 29 September 2023 to shareholders whose names appear on the register of members of the Company on Friday, 15 September 2023. For the purpose of ascertaining shareholders' entitlement to the interim dividend, the register of members of the Company will be closed from Thursday, 14 September 2023 to Friday, 15 September 2023, both days inclusive, during which period no transfer of shares will be registered. To qualify for the interim dividend, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 13 September 2023.

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 June 2023, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities.

Board of Directors

At 30 June 2023, the composition of the Board is:

Executive directors

Mr. SZETO Chi Yan Stanley (*Chairman*)
Dr. CHAN Yuk Mau Eddie (*CEO*)
Mr. LEE Yiu Ming

Independent non-executive directors

Mr. SEE Tak Wah
Mr. ANDERSEN Dee Allen
Ms. KESEBI Lale
Mr. LIU Gary

There is no other change in the information of Directors during the six months ended 30 June 2023 and up to the date of this report, which is required to be disclosed pursuant to the Rule 13.51(B) of the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

Board Committees

At 30 June 2023, the composition of the board committees remains the same as that set out in the announcement made by the Company on 28 March 2023.

Senior Management

At 30 June 2023, the composition of the senior management of the Company remains the same as that set out in the 2022 annual report of the Company.

Continuing Professional Development

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

Share Option Scheme

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

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

Co-Ownership Share Award Scheme

The Company operates a co-ownership share award scheme (the “Share Award Scheme”), which was adopted on 27 October 2021 (the “Share Award Scheme Adoption Date”) and amended on 13 June 2023, for the purpose of recognizing and rewarding the contributions of certain eligible persons for the growth and development of the Group and providing them with incentives in order to retain them for the continual operation, development and long term growth of the Group and to attract suitable personnel for further development of the Group. Subject to any early termination as may be determined by the award committee pursuant to the rules of the Share Award Scheme, the Share Award Scheme shall be valid and effective for a term of ten years commencing from Share Award Scheme Adoption Date.

During the six months ended 30 June 2023, no Award Shares have been granted, and no ordinary shares of the Company have been purchased from the open market by the trustee of the Share Award Scheme pursuant to the rules of the Share Award Scheme.

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

As at 30 June 2023, 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)	327,586,000 (L)	51.26%
Ms. CHE Huey Sze Denise	Interest of controlled corporation (Note 4)	327,586,000 (L)	51.26%
Dr. CHAN Yuk Mau Eddie ("Dr. CHAN")	Beneficial owner	22,000,000 (L)	3.44%
Ms. LEE Wing Yuen Ida	Beneficial owner (Note 5)	22,000,000 (L)	3.44%
Mr. LEE Yiu Ming ("Mr. LEE")	Beneficial owner	14,400,000 (L)	2.25%
Ms. YIU Chui Ping	Beneficial owner (Note 6)	14,400,000 (L)	2.25%

Notes:

- The Letter "L" denotes the person's long position in the relevant Shares.
- This is calculated based on the 639,100,000 Shares in issue as at 30 June 2023.
- 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 327,586,000 Shares.
- Ms. CHE Huey Sze Denise is the spouse of Mr. SZETO and was therefore deemed to be interested in the 327,586,000 Shares held by Mr. SZETO in note 3 above.
- Ms. LEE Wing Yuen Ida is the spouse of Dr. CHAN and was therefore deemed to be interested in the 22,000,000 Shares held by Dr. CHAN.
- Ms. YIU Chui Ping is the spouse of Mr. LEE and was therefore deemed to be interested in the 14,400,000 Shares held by Mr. LEE.

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

As at 30 June 2023, 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)	327,586,000 Shares (L)	51.26%
Lever Style Holdings	Beneficial owner (Note 3)	327,586,000 Shares (L)	51.26%
Fung Trinity Holdings Limited	Beneficial owner (Note 4)	45,000,000 Shares (L)	7.04%
Fung Portfolio Limited	Interest of controlled corporation (Note 4)	45,000,000 Shares (L)	7.04%
Fung Capital Limited	Interest of controlled corporation (Note 4)	45,000,000 Shares (L)	7.04%
Fung Investments Limited	Interest of controlled corporation (Note 4)	45,000,000 Shares (L)	7.04%
King Lun Holdings Limited	Interest of controlled corporation (Note 4)	45,000,000 Shares (L)	7.04%

Notes:

1. The Letter "L" denotes the person's long position in the relevant Shares.
2. This is calculated based on the 639,100,000 Shares in issue as at 30 June 2023.
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 327,586,000 Shares for the purpose of SFO.
4. Fung Trinity Holdings Limited is wholly-owned by Fung Portfolio Limited. The entire voting rights of Fung Portfolio 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.

Save as disclosed above, no other interest or short position in the Shares and underlying Shares of the Company were recorded in the register required to be kept under section 336 of the SFO as at 30 June 2023.

Corporate Governance

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

Model Code for Securities Transactions by Directors

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

Audit Committee

The Company has established an Audit Committee on 12 October 2019 in compliance with the CG Code with written terms of reference. The Audit Committee has four members, namely Mr. SEE Tak Wah, Mr. ANDERSEN Dee Allen, Ms. KESEBI Lale and Mr. LIU Gary, all of whom are independent non-executive Directors. Mr. SEE Tak Wah is the chairman of the Audit Committee and possesses the appropriate professional qualifications. The primary duties of the Audit Committee are to oversee the financial reporting system and internal control system of the Group, oversee the audit process, review and oversee the existing and potential risks of the Group and perform other duties and responsibilities as assigned by the Board. For the six months ended 30 June 2023, the Audit Committee met the independent auditors to discuss their findings during the audit of the consolidated financial statements for the year ended 31 December 2022. The Audit Committee reviewed the actions taken by management to address the findings and was satisfied with the work done. The Audit Committee also reviewed the work of the internal audit in examining the application of policies and internal controls in specific locations within the Group and was satisfied with the quality of the work undertaken. Nothing of a material nature was revealed and the Audit Committee proposed to the Board a small number of actions to strengthen compliance further that were adopted and are being implemented.

The Audit Committee has reviewed, together with the management of the Group, the accounting principles and policies adopted by the Group and discussed with them the unaudited condensed consolidated financial statements and interim results announcement of the Group for the six months ended 30 June 2023, recommending their adoption by the Board.

Remuneration Committee

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

Nomination Committee

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

Risk Management and Internal Control

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

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

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

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

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

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

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2023

	NOTES	Six months ended 30 June	
		2023 US\$ (Unaudited)	2022 US\$ (Unaudited)
Revenue	4	100,207,524	96,738,295
Cost of sales		(72,291,935)	(70,102,854)
Gross profit		27,915,589	26,635,441
Other income	5	405,883	212,426
Other gains and losses		(109,815)	(91,613)
Impairment loss on trade receivables under credit loss model		–	(262,226)
Selling and distribution expenses		(11,586,264)	(11,648,314)
Administrative expenses		(9,425,961)	(8,292,126)
Finance costs		(174,160)	(469,340)
Profit before tax		7,025,272	6,084,248
Income tax expense	6	(1,194,655)	(1,017,260)
Profit for the period	7	5,830,617	5,066,988
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of foreign operations		(283,005)	(326,875)
Total comprehensive income for the period		5,547,612	4,740,113
Profit/(loss) for the period attributable to:	9		
Owners of the company		5,836,729	5,066,988
Non-controlling interests		(6,112)	–
		5,830,617	5,066,988

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Continued)

For the six months ended 30 June 2023

	NOTES	Six months ended 30 June	
		2023 US\$ (Unaudited)	2022 US\$ (Unaudited)
Total comprehensive income/(expense) attributable to:			
Owners of the company		5,554,509	4,740,113
Non-controlling interests		(6,897)	–
		5,547,612	4,740,113
Earnings per share (US cents)	9		
– basic		0.92	0.79
– diluted		0.92	0.79

Condensed Consolidated Statement of Financial Position

At 30 June 2023

	NOTES	At 30 June 2023 US\$ (Unaudited)	At 31 December 2022 US\$ (Audited)
Non-current assets			
Plant and equipment	10	1,675,291	1,862,520
Right-of-use assets	11	1,613,281	2,091,250
Intangible assets		1,781,189	1,830,273
Deposit paid for plant and equipment		82,228	22,827
Deferred tax assets		135,847	135,847
Other receivables		1,108,734	1,108,734
Deposit paid for investment		277,466	277,466
		6,674,036	7,328,917
Current assets			
Inventories		16,389,620	14,464,428
Trade and bills receivables	12	28,161,856	25,046,126
Trade receivables at fair value through other comprehensive income	13	6,750,168	1,036,043
Deposits, prepayments and other receivables		16,366,666	19,631,739
Bank balances and cash		7,030,571	23,523,515
		74,698,881	83,701,851
Current liabilities			
Trade and bills payables	14	15,778,102	18,398,121
Other payables and accruals		7,836,459	6,292,726
Contract liabilities		3,475,371	2,991,529
Lease liabilities		916,142	857,544
Dividend payable		119	–
Derivative financial liabilities		58,528	42,051
Tax payables		3,372,795	2,483,393
Bank borrowings	15	2,594,015	10,727,160
		34,031,531	41,792,524
Net current assets		40,667,350	41,909,327
Total assets less current liabilities		47,341,386	49,238,244

Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2023

	NOTES	At 30 June 2023 US\$ (Unaudited)	At 31 December 2022 US\$ (Audited)
Non-current liabilities			
Lease liabilities		921,696	1,469,439
Deferred tax liabilities		9,870	9,870
		931,566	1,479,309
		46,409,820	47,758,935
Capital and reserves			
Share capital	16	820,640	820,640
Reserves		45,589,180	46,899,146
Equity attributable to owners of the Company		46,409,820	47,719,786
Non-controlling interests		–	39,149
		46,409,820	47,758,935

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2023

	Share capital US\$	Share premium US\$	Merger reserve US\$	Statutory reserve US\$ (Note i)	Capital reserve US\$	Share-based payments reserve US\$	Share held for share-award scheme US\$	Award shares compensation reserve US\$	Exchange reserve US\$	Retained profits US\$	Sub-Total US\$	Non-controlling interests US\$	Total US\$
At 1 January 2022 (Audited)	820,640	26,393,444	(13,295,621)	337,764	-	35,865	-	-	(215,531)	21,766,909	35,843,470	-	35,843,470
Profit for the period	-	-	-	-	-	-	-	-	-	5,066,988	5,066,988	-	5,066,988
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	(326,875)	-	(326,875)	-	(326,875)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(326,875)	5,066,988	4,740,113	-	4,470,113
Dividend recognised as distribution	-	-	-	-	-	-	-	-	-	(2,033,129)	(2,033,129)	-	(2,033,129)
Recognition of equity-settled share base payment	-	-	-	-	-	28,120	-	-	-	-	28,120	-	28,120
Share held for share award scheme	-	-	-	-	-	-	(56,424)	-	-	-	(56,424)	-	(56,424)
At 30 June 2022 (Unaudited)	820,640	26,393,444	(13,295,621)	337,764	-	63,985	(56,424)	-	(542,406)	24,800,768	38,522,150	-	38,522,150
At 1 January 2023 (Audited)	820,640	26,393,444	(13,295,621)	434,835	-	-	(171,023)	85,360	(766,607)	34,216,758	47,719,786	39,149	47,758,935
Profit for the period	-	-	-	-	-	-	-	-	-	5,836,729	5,836,729	(6,112)	5,830,617
Exchange differences arising on translation of foreign operations	-	-	-	-	-	-	-	-	(282,220)	-	(282,220)	(785)	(283,005)
Total comprehensive income for the period	-	-	-	-	-	-	-	-	(282,220)	5,836,729	5,554,509	(6,897)	5,547,612
Dividend recognised as distribution	-	-	-	-	-	-	-	-	-	(6,937,241)	(6,937,241)	-	(6,937,241)
Acquisition of non-controlling interests	-	-	-	-	5,557	-	-	-	-	-	5,557	(32,252)	(26,695)
Share held for share award scheme	-	-	-	-	-	-	-	67,209	-	-	67,209	-	67,209
At 30 June 2023 (Unaudited)	820,640	26,393,444	(13,295,621)	434,835	5,557	-	(171,023)	152,569	(1,048,827)	33,116,246	46,409,820	-	46,409,820

Note:

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 US\$ (Unaudited)	2022 US\$ (Unaudited)
OPERATING ACTIVITIES		
Profit before tax	7,025,272	6,084,248
Adjustments for:		
Finance costs	174,160	469,340
Interest income	(306,553)	(13,135)
Depreciation of plant and equipment	177,181	270,776
Depreciation of right-of-use assets	420,384	454,477
Amortization of intangible asset	49,082	222,738
Impairment loss on trade receivables under credit loss model	–	262,226
Share based payment expenses	67,209	28,120
Fair value loss on derivative financial assets/ liabilities	16,476	138,863
Operating cash flow before movements in working capital	7,623,211	7,917,653
Increase in inventories	(1,941,913)	(2,029,628)
Increase in trade and bills receivables	(3,125,311)	(1,582,375)
(Increase)/decrease in deposits, prepayments and other receivables	3,183,038	(3,104,122)
Increase in trade receivables at FVTOCI	(5,714,125)	(173,456)
Increase/(decrease) in trade and bills payables	(2,594,859)	1,249,943
Increase/(decrease) in other payables and accruals	1,544,179	(219,262)
Increase in contract liabilities	485,731	637,312
Cash generated from/(used in) operations	(540,049)	2,696,065
Income tax paid	(307,909)	(75,320)
Income tax refund	–	3,033
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	(847,958)	2,623,778
INVESTING ACTIVITIES		
Purchase of plant and equipment	(59,401)	(121,317)
Interest received	306,553	13,135
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	247,152	(108,182)

Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023 US\$ (Unaudited)	2022 US\$ (Unaudited)
FINANCING ACTIVITIES		
Purchase of shares held for share award scheme	–	(56,424)
New bank borrowings raised	8,854,811	8,153,389
Net addition (repayment) of trust receipt loans	(3,547,239)	2,861,242
Repayment of bank borrowings	(13,440,716)	(7,348,671)
Interest paid	(174,160)	(469,340)
Repayment of lease liabilities	(409,817)	(382,284)
Dividend paid	(6,937,121)	(1,075,226)
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES	(15,654,242)	1,682,686
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(16,255,048)	4,198,282
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	23,523,515	19,866,056
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(237,896)	(36,115)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	7,030,571	24,028,223

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1 General

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

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

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

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

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

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”).

3 Principal Accounting Policies

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Insurance Contracts</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform – Pillar Two Model Rules</i>

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

4 Revenue and Segment Information

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

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

Types of goods

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

	Six months ended 30 June	
	2023 US\$ (Unaudited)	2022 US\$ (Unaudited)
Bottoms	30,509,070	31,665,370
Shirts	20,229,719	20,254,490
Outerwear	19,419,527	18,600,712
Suit	9,785,216	7,718,357
Soft Woven	7,544,622	7,793,735
Knit	4,702,307	4,171,911
Sweater	1,698,513	2,307,634
Others	6,318,550	4,226,086
Total	100,207,524	96,738,295

4 Revenue and Segment Information (Continued)

Geographical information

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

	Six months ended 30 June	
	2023 US\$ (Unaudited)	2022 US\$ (Unaudited)
United States of America	62,743,752	64,041,345
Europe	19,493,735	14,104,818
Oceania	10,922,472	6,073,397
Greater China [#]	1,395,749	6,695,562
Others	5,651,816	5,823,173
	100,207,524	96,738,295

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

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

5 Other Income

	Six months ended 30 June	
	2023 US\$ (Unaudited)	2022 US\$ (Unaudited)
Government grants	86,430	88,089
Claims received	–	30,152
Interests on bank deposits	306,553	13,226
Dividend receivable	4,403	–
Others	8,497	80,959
	405,883	212,426

6 Income Tax Expense

	Six months ended 30 June	
	2023 US\$ (Unaudited)	2022 US\$ (Unaudited)
Hong Kong Profits Tax:		
– Current tax	1,167,983	1,017,774
PRC Enterprise Income Tax (“EIT”)		
– Current tax	27,177	19,813
– Over/(under) provision in prior years	(505)	5,660
Deferred tax	26,672 –	25,473 (25,987)
	1,194,655	1,017,260

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

Under the Law of the PRC on Enterprise Income tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%. The Group’s subsidiaries, 利華服飾智造(深圳)有限公司, is qualified as Small Low-profit Enterprises with annual taxable income less than Renminbi (“RMB”) 3 million for both periods. The portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 12.5% of taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 25% 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) for both periods.

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

7 Profit for the Period

	Six months ended 30 June	
	2023 US\$ (Unaudited)	2022 US\$ (Unaudited)
Profit for the period has been arrived at after charging:		
Directors' remuneration	2,564,281	1,154,145
Other staff costs		
– salaries and other allowances	6,344,940	6,000,677
– share based payment expense	67,209	–
– retirement benefit scheme contributions	898,646	926,635
Total staff costs	9,875,076	8,081,457
Cost of inventories as an expense	72,291,935	70,102,854
Depreciation of plant and equipment	177,181	270,776
Depreciation of right-of-use assets	420,384	454,760
Amortisation of intangible assets (included in selling and distribution expenses)	49,082	223,738
Expense relating to short-term leases	59,947	46,602

8 Dividends

	Six months ended 30 June	
	2023 US\$ (Unaudited)	2022 US\$ (Unaudited)
Final, declared, of HK8.5 cents per ordinary share for 2022 (2021: HK2.5 cents per ordinary share)	6,937,241	2,033,129

The Board has declared an interim dividend for the six months ended 30 June 2023 of HK3.0 cents per share (six months ended 30 June 2022: Nil).

9 Earnings per Share

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

	Six months ended 30 June	
	2023 US\$ (Unaudited)	2022 US\$ (Unaudited)
Earnings:		
Profit for the purposes of calculating basic and diluted earnings per share	5,836,729	5,066,988

	Six months ended 30 June	
	2023	2022
Number of shares:		
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	636,447,063	639,100,000
Effect of dilutive potential ordinary shares: Share Award Scheme	57,462	–
Weighted average number of ordinary shares for the purposes of calculating diluted earnings per share	636,504,525	639,100,000

Shares purchased under the share-award scheme are deducted from total number of shares in issue for the purpose of calculating earnings per share.

10 Plant and Equipment

During the current interim period, the Group incurred total expenditure of approximately US\$154,554 (six months ended 30 June 2022: approximately US\$139,000) on the acquisition of property, plant and equipment.

11 Right-of-use Assets

During the current interim period, there is no additions to right-of-use assets (six months ended 30 June 2022: US\$49,000).

12 Trade and Bills Receivables

	At 30 June 2023 US\$ (Unaudited)	At 31 December 2022 US\$ (Audited)
Trade receivables – contracts with customers	30,024,776	26,909,046
Provision on trade receivables	(1,862,920)	(1,862,920)
	28,161,856	25,046,126

The Group generally allows credit period of 30–60 days to its customers.

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

	At 30 June 2023 US\$ (Unaudited)	At 31 December 2022 US\$ (Audited)
0 to 30 days	15,747,690	17,871,336
31 to 60 days	7,909,671	4,676,576
Over 60 days	4,504,495	2,498,214
	28,161,856	25,046,126

13 Trade Receivables at Fair Value through Other Comprehensive Income

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

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

	At 30 June 2023 US\$ (Unaudited)	At 31 December 2022 US\$ (Audited)
0 to 30 days	4,218,241	1,036,043
31 to 60 days	2,415,648	–
Over 60days	116,279	–
	6,750,168	1,036,043

As at 30 June 2023, the Group has debtors with aggregate carrying amount of US\$185,755 included in the Group's trade receivables at FVTOCI balances which are past due at the end of the interim period and 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. As at 31 December 2022, no debtor is past due at the end of the reporting period. The Group does not hold any collateral over these balances.

14 Trade and Bills Payables

	At 30 June 2023 US\$ (Unaudited)	At 31 December 2022 US\$ (Audited)
Trade payables	15,778,102	18,398,121
	15,778,102	18,398,121

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

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

	At 30 June 2023 US\$ (Unaudited)	At 31 December 2022 US\$ (Audited)
0 to 30 days	12,737,563	18,007,390
31 to 60 days	2,542,871	43,055
Over 60 days	497,668	347,676
	15,778,102	18,398,121

15 Bank Borrowings

During the six months ended 30 June 2023, the Group obtained new bank borrowings of US\$12,535,838 (six months ended 30 June 2022: US\$67,286,000) and repaid bank borrowings of US\$20,668,982 (six months ended 30 June 2022: US\$63,620,000). The bank borrowings of the Group carry interest at market rates ranging from 3.45% to 6.69% per annum (31 December 2022: 3.66% to 4.73% per annum).

16 Share Capital

	At 30 June 2023 US\$ (Unaudited)	At 31 December 2022 US\$ (Audited)
Issued and fully paid		
639,100,000 Ordinary shares of HK\$0.01 each	820,640	820,640

17 Share-based Payment

Share Option Scheme

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

As at 30 June 2023, the number of outstanding share option is zero. There has been no movement in the Share Option Scheme during the Period Under Review.

The Group has no expense for the Period Under Review in relation to share options granted by the Company.

Share Award Scheme

The Company operates a co-ownership share award scheme (the "Share Award Scheme"), which was adopted on 27 October 2021 and amended on 13 June 2023 for the purpose of recognizing and rewarding the contributions of certain eligible persons for the growth and development of the Group and providing them with incentives in order to retain them for the continual operation, development and long term growth of the Group and to attract suitable personnel for further development of the Group. A trustee, as an independent third party, was appointed by the Company for the administration of the Share Award Scheme. The trustee shall purchase the Company's shares from the market out of cash contributed by the Company and shall hold such shares in trust until they are vested to the participants in accordance to the rules of the Share Award Scheme.

There is no share has been purchased from the open market pursuant to the Scheme during the Period Under Review.

18 Capital Commitments

	At 30 June 2023 US\$ (Unaudited)	At 31 December 2022 US\$ (Audited)
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	83,190	8,275

19 Pledge of Assets

As at 30 June 2023, there were no assets pledged to secure the Group's bank borrowings (31 December 2022: Nil).

20 Related Party Transactions

- (a) During the six months ended 30 June 2023, the Group entered into the following transactions with a related party:

Name of related parties	Nature of transactions	Six months ended 30 June	
		2023 US\$ (Unaudited)	2022 US\$ (Unaudited)
Calman Limited*	Rental expenses	31,870	38,357

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

20 Related Party Transactions (Continued)

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2023 US\$ (Unaudited)	2022 US\$ (Unaudited)
Salaries and other allowances	472,181	488,487
Performance related bonus	2,022,100	467,759
Retirement benefit scheme contributions	–	3,836
	2,494,281	960,082

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

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

- (c) As at 30 June 2023, the Group has US\$6,400 outstanding balances with related parties (31 December 2022: Nil).

21 Fair Value Measurements of Financial Instruments

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

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

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

	Fair value hierarchy at 30 June 2023		Fair value hierarchy at 31 December 2022		Valuation techniques and key inputs
	Level 2 US\$ (Unaudited)	Total US\$ (Unaudited)	Level 2 US\$ (Audited)	Total US\$ (Audited)	
Financial assets					
Trade receivables at FVTOCI	6,750,168	6,750,168	1,036,043	1,036,043	Note

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

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