leverstyle

Lever Style Corporation
利華控股集團
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1346)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

ANNUAL RESULTS

The board of directors (the "**Board**") of Lever Style Corporation (the "**Company**") would like to announce the audited consolidated financial results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	NOTES	2020	2019
		US$	*US$*
Revenue	4	**87,729,901**	121,983,142
Cost of sales		**(61,785,654)**	(86,275,819)
Gross profit		**25,944,247**	35,707,323
Other income		**754,626**	291,192
Other gains and losses		**(176,394)**	(169,652)
Impairment loss on trade receivables under expected credit loss model		**(208,844)**	–
Selling and distribution expenses		**(14,387,446)**	(15,930,292)
Administrative expenses		**(11,310,956)**	(10,400,839)
Finance costs		**(607,911)**	(967,703)
Listing expenses		**–**	(2,322,562)
Profit before tax		**7,322**	6,207,467
Income tax expense	5	**100,581**	(1,368,502)
Profit for the year	6	**107,903**	4,838,965
Other comprehensive income (expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**276,170**	(180,750)
Total comprehensive income for the year		**384,073**	4,658,215
Earnings per share *(US cents)*	7		
– basic		**0.02**	0.96
– diluted		**0.02**	0.96

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

	NOTES	2020 US$	2019 US$
Non-current assets			
Plant and equipment		**1,668,198**	1,094,765
Right-of-use assets		**5,496,316**	1,032,121
Club membership		**752,202**	752,202
Deposit paid for plant and equipment		**270,573**	369,976
Deferred tax assets		**159,305**	–
		8,346,594	3,249,064
Current assets			
Inventories		**12,322,508**	13,662,775
Trade and bills receivables	9	**3,878,992**	8,126,336
Trade receivables at fair value through other comprehensive income		**5,755,737**	11,557,332
Deposits, prepayments and other receivables		**14,134,223**	11,266,268
Tax recoverable		**229,039**	–
Bank balances and cash		**17,762,584**	17,020,045
		54,083,083	61,632,756
Current liabilities			
Trade and bills payables	10	**8,796,092**	12,729,680
Other payables and accruals		**1,608,185**	2,902,262
Contract liabilities		**981,722**	297,944
Lease liabilities		**1,185,334**	639,956
Tax payables		**137,459**	1,691,243
Bank borrowings		**13,940,671**	11,692,811
		26,649,463	29,953,896
Net current assets		**27,433,620**	31,678,860
Total assets less current liabilities		**35,780,214**	34,927,924

	2020	2019
	US$	*US$*
Non-current liabilities		
Lease liabilities	**4,403,332**	511,970
Bank borrowings	**4,495**	32,067
Deferred tax liabilities	**–**	37,958
	4,407,827	581,995
	31,372,387	34,345,929
Capital and reserves		
Share capital	**820,640**	821,799
Reserves	**30,551,747**	33,524,130
	31,372,387	34,345,929

NOTES:

1. GENERAL

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

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

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

The Company is an investment holding company.

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

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The companies now comprising the Group underwent a series of reorganisation (the "**Reorganisation**"). Prior to the Reorganisation, Lever Style Inc. was owned as to 63.68% by Lever Style Holdings, 21.88% by Fung Trinity Holdings Limited ("**Fung Trinity**"), 4.43% by Mr. Yuen Kam Sun ("**Mr. Yuen**"), 0.66% by Mr. Andersen Dee Allen ("**Mr. Andersen**"), 1.35% by Ms. Haruko Enomoto ("**Ms. Enomoto**"), 5% by Dr. Chan Yuk Mau, Eddie ("**Dr. Chan**") and 3% by Mr. Lee Yiu Ming ("**Mr. Lee**"), and was ultimately controlled by the Controlling Shareholder.

On 27 February 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of HK$380,000 divided into 38,000,000 shares of HK$0.01 each. Upon incorporation, 1 share was allotted and issued to a representative of Conyers Trust Company (Cayman) Limited and transferred to Mr. Lee, following which 6,368 shares, 2,188 shares, 443 shares, 66 shares, 135 shares, 500 shares and 299 shares were allotted and issued to Lever Style Holdings, Fung Trinity, Mr. Yuen, Mr. Andersen, Ms. Enomoto, Dr. Chan and Mr. Lee respectively for cash at par.

On 8 April 2019, pursuant to the sale and purchase agreement entered into between the Company and the shareholders of Lever Style Inc., all shares held by the shareholders in Lever Style Inc. were transferred to the Company for shares in the Company.

Upon completion of the Reorganisation on 8 April 2019, the Company became the holding company of the companies now comprising the Group and the entities comprising the Group are controlled by the Controlling Shareholder before and after the Reorganisation.

Accordingly, the consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows for the year ended 31 December 2019, have been prepared to present the results and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the year ended 31 December 2019, or since the respective date of incorporation of the relevant entity where this is a shorter period.

3. 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 "Amendments to References to the Conceptual Framework in HKFRS Standards" and 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 period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the "Amendments to References to the Conceptual Framework in HKFRS Standards" and the amendments to HKFRSs in the current year 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.

3.1 Impacts on application of Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

3.2 Impacts on application of Amendments to HKFRS 3 "Definition of a Business"

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments had no impact on the consolidated financial statements in the current year as similar conclusion would have been reached without applying the optional concentration test.

4. REVENUE AND SEGMENT INFORMATION

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.

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:

	2020	2019
	US$	*US$*
Shirts	**26,830,596**	51,263,627
Bottoms	**22,035,801**	30,681,415
Outerwear	**19,276,674**	13,698,288
Suit	**7,720,021**	20,059,311
Soft Woven	**4,981,614**	3,281,402
Knit	**3,402,882**	1,809,073
Sweater	**2,361,403**	–
Others	**1,120,910**	1,190,026
Total	**87,729,901**	121,983,142

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.

	2020	2019
	US$	*US$*
United States of America	**52,818,832**	86,988,775
Europe	**19,800,231**	17,067,108
Greater China[#]	**7,148,148**	9,939,573
Others	**7,962,690**	7,987,686
	87,729,901	121,983,142

[#] 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:

	2020	2019
	US$	*US$*
Customer A	**15,445,922**	35,980,954
Customer B	**13,437,950**	18,112,371

5. INCOME TAX EXPENSE

	2020	2019
	US$	*US$*
Hong Kong Profits Tax:		
– Current tax	**140,730**	1,175,082
– Overprovision in prior years	**(10,340)**	(1,596)
– One-off tax reduction of profits tax by the Inland Revenue Department ("**IRD**")	**(1,290)**	(7,659)
	129,100	1,165,827
PRC Enterprise Income Tax ("**EIT**")		
– Current tax	**53,752**	203,411
– Overprovision in prior year	**(87,131)**	–
	(33,379)	203,411
Deferred tax	**(196,302)**	(736)
	(100,581)	1,368,502

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

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

Under the Law of the PRC on Enterprise Income tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. For the year ended 31 December 2020, the Group's subsidiaries, 利華設計院(深圳)有限公司 and 利華服飾智造(深圳)有限公司 (formerly known as 漢精益服裝(深圳)有限公司), are qualified as Small Low-profit Enterprises with annual taxable income less than Renminbi ("**RMB**") 3 million. The portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 25% as taxable income amount, and be subject to enterprise income tax of 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% as taxable income amount, and be subject to enterprise income tax at 20% tax rate. For the year ended 31 December 2019, one of the Group's subsidiaries, 利華設計院(深圳)有限公司, is entitled to 15% tax rate as the subsidiary is situated in Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone and is qualified for reduced tax rate.

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

6. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2020	2019
	US$	*US$*
Directors' remuneration	**2,026,814**	1,974,671
Other staff costs		
– salaries and other allowances	**7,844,296**	8,465,159
– redundancy cost *(note)*	**582,739**	–
– retirement benefit scheme contributions	**896,200**	930,063
Total staff costs	**11,350,049**	11,369,893
Auditor's remuneration	**308,418**	306,115
Cost of inventories as an expense	**61,741,112**	86,275,819
Impairment loss on inventories	**44,542**	–
Depreciation of plant and equipment	**469,324**	367,128
Depreciation of right-of-use assets	**729,875**	520,210
Expense relating to short-term leases	**181,051**	198,480

Note: For the year ended 31 December 2020, redundancy cost of US$582,739 is 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.

7. 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:

	2020	2019
	US$	*US$*
Earnings:		
Profit for the year for the purposes of calculating basic and diluted earnings per share	**107,903**	4,838,965

	2020	2019
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**639,520,568**	501,479,452

The weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share for the year ended 31 December 2019 has taken into account the shares issued pursuant to the Reorganisation as set out in note 2 and the capitalisation issue.

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

The computation of diluted earnings per share for the year ended 31 December 2019 did not assume the exercise of the Company's over-allotment option because the exercise price of those option was higher than the average market price for shares from the date of grant.

8. DIVIDENDS

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

No final dividend (2019: HK4 cents) per ordinary share was proposed by the Board for the year ended 31 December 2020.

9. TRADE AND BILLS RECEIVABLES

	2020	2019
	US$	*US$*
Trade receivables – contracts with customers	**3,816,496**	5,691,638
Less: allowance for expected credit losses	**(212,688)**	–
	3,603,808	5,691,638
Bills receivables	**–**	1,139,360
Bills receivables discounted with recourse	**275,184**	1,295,338
	3,878,992	8,126,336

The Group allows credit period up to 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.

	2020	2019
	US$	*US$*
0 to 30 days	**1,297,676**	3,408,229
31 to 60 days	**1,207,268**	1,215,925
Over 60 days	**1,098,864**	1,067,484
	3,603,808	5,691,638

10. TRADE AND BILLS PAYABLES

	2020	2019
	US$	*US$*
Trade payables	**8,707,423**	12,625,565
Bills payables	**88,669**	104,115
	8,796,092	12,729,680

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.

	2020	2019
	US$	*US$*
0 to 30 days	**7,806,589**	11,291,890
31 to 60 days	**472,932**	627,858
Over 60 days	**427,902**	705,817
	8,707,423	12,625,565

REVIEW AND FUTURE PROSPECTS

On behalf of the Board of the Company, I am pleased to present the annual results of the Group for the year ended 31 December 2020. Please let me take this opportunity to thank our key stakeholders, especially our staff, for helping the Company stay in the black despite the unprecedented challenge caused by COVID-19 to the apparel industry.

COVID-19 crisis

In the beginning of 2020, China suffered from the COVID-19 outbreak, resulting in massive supply chain disruption and shipment delays and cancellations.

By mid-March, the tables turned as China eased its lockdowns while the pandemic started wrecking the western world, resulting in lockdowns, store and office closures, and a collapse in general economic activity. Demand for fashion plummeted, as people working from home and avoiding parties and trips have less need to consume fashion.

As a result, the past 12 months have been a devastating year for the fashion industry. Fashion bankruptcies exploded, engulfing even venerable names like J Crew, Ascena (Ann Taylor), Debenhams, Arcadia (Top Shop & Top Men), Brooks Brothers, JC Penney, and Neiman Marcus.

The Company's resilient performance

Against this backdrop, the Company navigated the crisis better than most industry players. Our asset-light business model means we never had armies of idle workers to pay or make redundant when business volume fell off a cliff. With around half of sales going to digitally native brands and platforms, which are less affected by the crisis than their brick-and-mortar peers, our reduction in business volume was less severe than most. And our conservative credit risk management has kept our bad debts manageable. As a result, we managed to stay in the black in 2020 despite the once-in-a-lifetime crisis.

Capitalizing on acquisition opportunities

As the Chinese saying goes, when there's danger, there's opportunity. In late 2019, we raised capital through our initial public offering ("**IPO**") of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") to finance acquisitions of complementary businesses. In the past 8 months, we secured four acquisitions – a sweater maker, a performance outerwear maker, a denim maker, and a niche activewear brand – to broaden our product line. Our product capability now extends across almost the entire wardrobe, greatly enhancing our strategic position.

Through careful deal structuring, we were able to acquire all these businesses without taking over any of their factories, thus staying true to our asset-light business model. As COVID-19 put many businesses in financial distress, and many business owners became disillusioned, we were able to acquire businesses at relatively attractive terms and valuations.

Imminent demand spike

With vaccines being rolled out in the western world, there is a palpable sense of optimism returning to the industry, as brands and retailers prepare to service consumers that resume normal life and refresh wardrobes. After many weaker companies closed as apparel capacity shrunk to better match the collapsed demand, the Company, along with the stronger companies that survive the crisis, have picked up market share, and are poised to benefit from the expected spike in demand.

The sudden collapse in demand especially hurt brands with long production lead times and deep inventory commitments, as they had too much inventory in their warehouses and supply chain pipelines. The crisis is thus making brands better appreciate the Company's capability to work on quick lead times and small order volumes, which help minimize inventory commitments and risks.

Continuing financial roll-up

Going forward, we aim to continue our financial roll-up strategy by aggressively capturing acquisition opportunities. As we continue to expand our product range, we may also use acquisitions to bolster our other operational needs, such as expanding our geographical production footprint, enlarging our customer base, speeding up our supply chain, and improving our capability in small batch and customized manufacturing.

Other strategic initiatives

With our latest acquisitions, our product line now extends pretty much across the entire wardrobe. We are increasingly serving some of our customers on a turnkey basis, as we become their lone apparel supplier. In such a strategic partnership, we manage the entire apparel supply chain, leaving our customers to focus on what they do best on the front end, which are brand positioning, marketing, and distribution. Such partnerships enhance speed, reduce overhead, and make our client relationships more sticky and strategic, and less price-driven.

With most industry leaders still stuck in selling to the conventional brick-and-mortar brands, we're becoming recognized as a key player and thought leader in the quickly emerging high-mix/low-volume digital retail world. In an op-ed in the Sourcing Journal, one of the trade news providers, the Company was named as a company that is "truly innovating the industry and offering services to a whole new generation of brands and retailers."

Along these lines, we are now working on how to become the Uber of the apparel sourcing industry, where we are the indispensable platform of choice used by both brands and factories. Initiatives such as crowd-sourcing design and factory-brand match-making algorithms are examples of our versions of Google's moonshot ideas.

Conclusion

We managed to stay in the black during the most difficult year for apparel in living memory. With our enhanced product line, growth through four acquisitions to date, and a healthy war chest, I have never felt more positive about our strategic prospects.

Once again, I would like to thank our many stakeholders, especially our staff, for putting the Company in the driver's seat to power out of the pandemic.

FINANCIAL REVIEW

Revenue

Revenue of the Group dropped by approximately 28.1% from approximately US$122.0 million in 2019 to approximately US$87.7 million in 2020. The decrease reflected the impact of COVID-19 on both supply chain, and brands and retailers. Some customers requested to delay shipment, reduce or cancel orders amid pandemic outbreak. 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			
	2020		2019	
	US$'000	***%***	*US$'000*	*%*
Digitally native	**34,750**	**39.6**	61,955	50.8
Conventional				
– Premium	**49,967**	**57.0**	51,991	42.6
– Moderate	**3,013**	**3.4**	8,037	6.6
Sub-total	**52,980**	**60.4**	60,028	49.2
Total	**87,730**	**100.0**	121,983	100.0

Our revenue generated from digitally native customers decreased from approximately US$62.0 million in 2019 to approximately US$34.8 million in 2020, representing a decrease of approximately 43.9%. The decrease was mainly caused by the significant negative impact of COVID-19 in the United States of America and Europe markets. Sales orders from one of our major customers that focuses on business attire, such as suits and pants, were particularly affected as demand for such product types significantly shrunk when most people worked from home amid lockdown.

Revenue generated from conventional premium customers decreased slightly from approximately US$52.0 million in 2019 to approximately US$50.0 million in 2020, representing a decrease of approximately 3.9%, while the contribution of the total revenue from conventional premium customers increased from approximately 42.6% in 2019 to approximately 57.0% in 2020. Such increase was attributable by an asset acquisition transaction in relation to the production of technical outerwear for well-known worldwide brands, which enabled the Group to expand our apparel product portfolio and business.

On the other side, our revenue from conventional moderate customers dropped from approximately US$8.0 million in 2019 to approximately US$3.0 million in 2020, representing a decrease of approximately 62.5%, as we continued to optimize our customer portfolio during the year.

Cost of Sales

Our cost of sales mainly comprises material costs and subcontracting fees. Cost of sales decreased by approximately 28.4% from approximately US$86.3 million in 2019 to approximately US$61.8 million in 2020. However, cost of sales as a percentage of total revenue decreased from approximately 70.7% in 2019 to approximately 70.4% in 2020, representing the increase in efficiency in our operation and our continuous effort to reduce lower margin orders amid COVID-19.

Gross profit and gross profit margin

Our gross profit dropped from approximately US$35.7 million in 2019 to approximately US$25.9 million in 2020, representing a decrease of approximately 27.3%, along with the revenue drop amid COVID-19. However, we managed to grow our gross profit margin from approximately 29.3% in 2019 to approximately 29.6% in 2020, which was mainly attributable to our business expansion into new product categories, increase of efficiency in operation and our continuous reduction of lower margin orders.

	Year ended 31 December			
	2020		2019	
	Gross profit *US$'000*	**Gross profit margin** *%*	Gross profit *US$'000*	Gross profit margin *%*
Digitally native	**12,490**	**35.9**	20,954	33.8
Conventional				
– Premium	**12,644**	**25.3**	12,774	24.6
– Moderate	**810**	**26.9**	1,979	24.6
Sub-total	**13,454**	**25.4**	14,753	24.6
Total	**25,944**	**29.6**	35,707	29.3

Profit for the year

The Group ended with a breakeven result of approximately US$0.1 million net profit in 2020, compared to a net profit of approximately US$4.8 million in 2019. The result for the year was mainly attributable to the negative impact of COVID-19: the social distancing policies, restrictions of gatherings, travel restrictions, lockdowns and various other measures implemented or imposed by authorities in many cities around the world in order to contain COVID-19, resulting in the physical stores of the Group's customers having been temporarily closed or adversely affected. As a supplier to these customers, the Group has inevitably been affected.

The result for the year was partly attributable to a one-off 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. Should the effect be excluded, the Group would have exhibited a net profit of approximately US$0.7 million for 2020. The then adjusted net profit margin for 2020 would be approximately 0.8%. The break-even result showed our strong capability and flexibility to cope with severe macro-economic environment.

The following table demonstrates the impact on our net profit for the year taking into account the one-off and non-recurring cost:

	2020	2019
	US$'000	*US$'000*
One-off and non-recurring cost		
Redundancy cost	**583**	–
Listing expenses	**–**	2,323
Reported profit for the year	**108**	4,839
Adjusted profit for the year	**691**	7,162

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a healthy financial position. Cash and cash equivalents of the Group as at 31 December 2020 were approximately US$17.8 million (2019: US$17.0 million). As at 31 December 2020, the Group had net current assets of approximately US$27.4 million. Compared to approximately US$31.7 million as at 31 December 2019, it represented a decrease of approximately US$4.2 million. The current ratio for 2020 was approximately 2.0 times whilst it was approximately 2.1 times for 2019 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 2020, the Group had available banking facilities of approximately US$39.4 million. Out of the total available banking facilities, we had unutilized banking facilities amounted for approximately US$23.0 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$31.4 million at 31 December 2020 (2019: US$34.3 million). As at 31 December 2020, the gearing ratio of the Group was approximately 44.5% (2019: 34.1%). Gearing ratio is calculated based on the total debts (bank borrowings) divided by the total equity at the end of the year.

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 -12.2% in 2020 (2019: -15.4%).

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 were utilized during the period from 13 November 2019 ("**Listing Date**") to 31 December 2020 and will be utilized in accordance with the proposed percentage allocation set out in the prospectus of the Company dated 31 October 2019 (the "**Prospectus**"):

– Approximately HK$71.7 million (68.3% of our total net proceeds) for expansion into the additional apparel categories by acquisition(s);

– Approximately HK$17.1 million (16.3% of our total net proceeds) for the capital investment in relation to our B2B online platform;

– Approximately HK$6.2 million (5.9% of our total net proceeds) for capital investment in relation to digitalisation;

– Approximately HK$5.6 million (5.3% of our total net proceeds) for repaying of existing debts;

– Approximately HK$4.4 million (4.2% of our total net proceeds) for our general working capital.

For the period from the Listing Date to 31 December 2020, the Group had utilized approximately HK$63.4 million of the proceeds for acquisitions, B2B online platform, digitalization projects, repayment of debts, and general working capital. Unutilized net proceeds at 31 December 2020 were deposited in licensed banks. The Directors intend to utilize such net proceeds in the manner disclosed in the Prospectus.

CONTINGENT LIABILITIES

As at 31 December 2020, the Group had no material contingent liability (2019: Nil).

EMPLOYEES AND REMUNERATION

As at 31 December 2020, the Group employed a total of 304 full-time employees (2019: 371 employees). For the year ended 31 December 2020, the aggregate remuneration of the Group's employees (including Directors' remuneration) remained stable at approximately US$11.4 million (2019: 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 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.

FINAL DIVIDEND

No final dividend was recommended by the Board for the year ended 31 December 2020.

CLOSURE OF REGISTER OF MEMBERS FOR ENTITLEMENT TO ATTEND AND VOTE AT ANNUAL GENERAL MEETING

The AGM will be held on Friday, 11 June 2021. 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, 8 June 2021 to Friday, 11 June 2021, 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, 7 June 2021.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions in the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Board considers that the Company has complied with all the code provisions of the CG Code during the year ended 31 December 2020.

DIRECTORS' SECURITIES TRANSACTIONS

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 for the year ended 31 December 2020. 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 year ended 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2020, the Company had repurchased an aggregate of 900,000 shares of the Company at an average price of HK$0.472 on the Stock Exchange. Accordingly, as at the date of this announcement, the total issued shares of the Company are 639,100,000 shares. For details of the repurchases, please refer to the announcements issued by the Company dated from 27 May 2020 to 8 July 2020. Save as disclosed above, during the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

EVENTS OCCURRING AFTER END OF 2020

On 9 February 2021, Lever Style Limited, an indirect wholly-owned subsidiary of the Company, entered into an asset purchase agreement with Champion System Limited, Surplus Garment Limited and Bamlington Limited as vendors, pursuant to which, the vendors have agreed to sell and Lever Style Limited has agreed to purchase the (1) trade receivables; (2) business intellectual property rights; and (3) inventory, at a consideration of US$2,000,000 (subject to adjustment). It is expected that the maximum consideration will not exceed US$2,200,000.

The vendors are companies established in Hong Kong and British Virgin Islands and principally engaged in the business of trading of custom technical apparel, including high performance cycling, running, triathlon, netball and casual apparel. For details, please refer to the announcement of the Company dated 9 February 2021.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

AUDIT COMMITTEE AND REVIEW ON THE ANNUAL RESULTS

The Company has established an Audit Committee on 12 October 2019 in compliance with the CG Code with written terms of reference. As at the date of this announcement, the Audit Committee has three members, namely Mr. See Tak Wah, Mr. Auyang Pak Hong Bernard and Mr. Lee Shing Tung Tommy, all of whom are independent non-executive Directors. Mr. See Tak Wah is the chairman of the Audit Committee and possesses the appropriate professional qualifications. The primary duties of the Audit Committee are to oversee the financial reporting system and internal control system of the Group, oversee the audit process, review and oversee the existing and potential risks of the Group and perform other duties and responsibilities as assigned by the Board. The Audit Committee of the Company, together with the management of the Company and the external auditor, reviewed both the accounting principles and policies adopted by the Group and the audited consolidated financial statements for the year ended 31 December 2020.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee on 12 October 2019 in compliance with the CG Code with written terms of reference. As at the date of this announcement, the Remuneration Committee has three members, Mr. Auyang Pak Hong Bernard (an independent non-executive Director), Mr. See Tak Wah (an independent non-executive Director) and Dr. Chan Yuk Man Eddie (an executive Director). Mr. Auyang Pak Hong Bernard is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish, review and make recommendations to the Board on our Company's policy and structure concerning remuneration of the Directors and senior management, on the diversity policy of the Board and senior management, on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

NOMINATION COMMITTEE

The Company has established a Nomination Committee on 12 October 2019 in compliance with the CG Code with written terms of reference. As at the date of this announcement, the Nomination Committee has three members, Mr. Lee Shing Tung Tommy, Mr. Auyang Pak Hong Bernard and Mr. See Tak Wah, all of whom are independent non-executive Directors. Mr. Lee Shing Tung Tommy is the chariman 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.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is published on the websites of the Company (www.leverstyle.com) and the Stock Exchange (www.hkexnews.hk), and the annual report of the Company for the year ended 31 December 2020 will be dispatched to Shareholders and published on the above websites in due course.

On behalf of the Board
Lever Style Corporation
Szeto Chi Yan Stanley
Chairman and Executive Director

Hong Kong, 30 March 2021

As at the date of this announcement, the Board comprises Mr. Szeto Chi Yan Stanley (Chairman), Dr. Chan Yuk Mau Eddie and Mr. Lee Yiu Ming as executive Directors, Mr. Kim William Pak as non-executive Director, and Mr. See Tak Wah, Mr. Auyang Pak Hong Bernard and Mr. Lee Shing Tung Tommy as the independent non-executive Directors.