leverstyle

Lever Style Corporation

利華控股集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1346)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Lever Style Corporation (the "**Company**") hereby announces the unaudited consolidated financial results of the Company and its subsidiaries (together, the "**Group**") for the six months ended 30 June 2020, together with the comparative figures for the six months ended 30 June 2019.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE (LOSS)/INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

		Six months ended 30 June	
		2020	2019
	NOTES	***US$***	*US$*
		(Unaudited)	(Unaudited)
Revenue	4	**37,136,205**	56,130,818
Cost of sales		**(26,595,552)**	(39,736,708)
Gross profit		**10,540,653**	16,394,110
Other income		**271,204**	134,950
Other gains and losses		**(543)**	10,156
Selling and distribution expenses		**(6,855,856)**	(7,357,139)
Administrative expenses		**(5,843,326)**	(5,271,435)
Finance costs		**(287,751)**	(531,793)
Listing expenses		**–**	(809,702)
(Loss)/Profit before tax		**(2,175,619)**	2,569,147
Income tax expense	5	**(45,553)**	(522,674)
(Loss)/Profit for the period	6	**(2,221,172)**	2,046,473

	NOTES	Six months ended 30 June **2020** ***US$*** **(Unaudited)**	 2019 *US$* (Unaudited)
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(21,861)**	(28,133)
Total comprehensive (loss)/income for the period		**(2,243,033)**	2,018,340
(Loss)/Earnings per share *(US cents)*	7		
– basic		**(0.35)**	0.43

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	NOTES	At 30 June 2020 US$ (Unaudited)	At 31 December 2019 US$ (Audited)
Non-current assets			
Plant and equipment		**1,627,443**	1,094,765
Right-of-use assets		**708,118**	1,032,121
Club membership		**752,202**	752,202
Deposit paid for plant and equipment		**–**	369,976
		3,087,763	3,249,064
Current assets			
Inventories		**11,402,311**	13,662,775
Trade and bills receivables	9	**5,832,341**	8,126,336
Trade receivables at fair value through other comprehensive income		**2,579,310**	11,557,332
Deposits, prepayments and other receivables		**11,633,861**	11,266,268
Bank balances and cash		**14,118,291**	17,020,045
		45,566,115	61,632,756
Current liabilities			
Trade and bills payables	10	**6,738,559**	12,729,680
Other payables and accruals		**964,817**	2,902,262
Contract liabilities		**353,299**	297,944
Lease liabilities		**318,650**	639,956
Dividend payable		**3,302,459**	–
Tax payables		**63,460**	1,691,243
Bank borrowings		**7,599,784**	11,692,811
		19,341,028	29,953,896
Net current assets		**26,225,087**	31,678,860
Total assets less current liabilities		**29,312,850**	34,927,924

	At 30 June 2020 *US$* (Unaudited)	At 31 December 2019 *US$* (Audited)
Non-current liabilities		
Lease liabilities	**458,789**	511,970
Bank borrowings	**15,666**	32,067
Deferred tax liabilities	**37,958**	37,958
	512,413	581,995
	28,800,437	34,345,929
Capital and reserves		
Share capital	**821,799**	821,799
Reserves	**27,978,638**	33,524,130
	28,800,437	34,345,929

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

1. GENERAL

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

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

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

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

2. REORGANISATION AND BASIS OF PREPARATION AND PRESENTATION OF THE CONDENSED 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 condensed consolidated statements for the six months ended 30 June 2019, have been prepared to present the results, changes in equity 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 six months ended 30 June 2019, or since the respective date of incorporation of the relevant entity where this is a shorter period.

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. APPLICATION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

For the purpose of preparing and presenting the condensed consolidated financial statements for the six months ended 30 June 2020, the Group has consistently applied Hong Kong Accounting Standards ("**HKASs**"), HKFRSs, amendments and interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are effective for the accounting period beginning on 1 January 2020 for both current and prior periods.

The Group has not early applied any new and amendments to HKFRSs and interpretations that have been issued but are not yet effective for the current period.

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	
	2020	2019
	US$	*US$*
	(Unaudited)	(Unaudited)
Bottoms	**13,123,190**	16,386,135
Shirts	**12,992,832**	25,290,104
Suit	**3,730,525**	8,793,484
Outerwear	**2,219,835**	2,917,315
Others	**5,069,823**	2,743,780
Total	**37,136,205**	56,130,818

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	
	2020	2019
	US$	*US$*
	(Unaudited)	(Unaudited)
United States of America	**23,926,641**	43,269,047
Europe	**5,665,804**	7,328,034
Greater China#	**4,716,578**	3,439,838
Others	**2,827,182**	2,093,899
	37,136,205	56,130,818

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. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	US$	*US$*
	(Unaudited)	(Unaudited)
Hong Kong Profits Tax:		
– Current tax	**–**	476,470
PRC Enterprise Income Tax		
– Current tax	**45,553**	46,204
	45,553	522,674

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. One of the Group's subsidiaries, 利華設計院(深圳)有限公司, is entitled to 15% tax rate during the period and until 2020 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 periods.

6. (LOSS)/PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2020	2019
	US$	*US$*
	(Unaudited)	(Unaudited)
(Loss)/Profit for the period has been arrived at after charging:		
Directors' remuneration	**1,557,013**	982,400
Other staff costs		
– salaries and other allowances	**4,479,527**	4,721,600
– retirement benefit scheme contributions	**447,242**	608,967
Total staff costs	**6,483,782**	6,312,967
Auditor's remuneration	**109,654**	137,297
Cost of inventories as an expense	**26,595,552**	39,736,708
Depreciation of plant and equipment	**210,653**	175,245
Depreciation of right-of-use assets	**322,463**	256,082
Expense relating to short-term leases	**73,463**	75,505

7. (LOSS)/EARNINGS PER SHARE

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

	Six months ended 30 June	
	2020	2019
	US$	*US$*
	(Unaudited)	(Unaudited)
(Loss)/Earnings:		
(Loss)/Profit for the purposes of calculating basic and diluted (loss)/earnings per share	**(2,221,172)**	2,046,473
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted (loss)/earnings per share	**639,937,714**	480,000,000

The weighted average number of ordinary shares for the purposes of calculating basic and diluted (loss)/earnings per share for the six months ended 30 June 2020 and 2019 has taken into account the shares issued pursuant to the Reorganisation as set out in note 2 and the capitalisation issue.

No diluted earnings per share was presented for the six months ended 30 June 2020 and 2019 as there was no potential dilutive ordinary shares in issue during both periods.

8. DIVIDENDS

(a) Dividends recognized during the reporting period

	Six months ended 30 June	
	2020	2019
	US$	*US$*
	(Unaudited)	(Unaudited)
Final, declared, of HK4 cents per ordinary share for 2019 (2019: Nil)	**3,302,459**	–

(b) Dividends not recognized during the reporting period

The Board has not declared an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

9. TRADE AND BILLS RECEIVABLES

	At 30 June 2020	At 31 December 2019
	US$	*US$*
	(Unaudited)	(Audited)
Trade receivables	**4,497,344**	5,691,638
Bills receivables	**746,139**	1,139,360
Bills receivables discounted with recourse	**588,858**	1,295,338
	5,832,341	8,126,336

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

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

	At 30 June 2020 *US$* (Unaudited)	At 31 December 2019 *US$* (Audited)
0 to 30 days	**2,946,807**	3,408,229
31 to 60 days	**565,040**	1,215,925
Over 60 days	**985,497**	1,067,484
	4,497,344	5,691,638

10. TRADE AND BILLS PAYABLES

	At 30 June 2020 *US$* (Unaudited)	At 31 December 2019 *US$* (Audited)
Trade payables	**6,665,728**	12,625,565
Bills payables	**72,831**	104,115
	6,738,559	12,729,680

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 2020 *US$* (Unaudited)	At 31 December 2019 *US$* (Audited)
0 to 30 days	**5,545,678**	11,291,890
31 to 60 days	**41,572**	627,858
Over 60 days	**1,078,479**	705,817
	6,665,728	12,625,565

REVIEW AND FUTURE PROSPECTS

The first half of 2020 presented by far the most challenging operating environment in living memory. When COVID-19 hit China in early 2020, the East Asia apparel supply chain was severely disrupted as Chinese fabric mills and garment factories shut down. Even Southeast Asian production was not spared as many factories relied on Chinese raw materials.

As COVID-19 spread to the western world, retail stores closed, people stayed home, and demand for apparel collapsed overnight. Fashion is not an essential purchase for people locked down at home and was therefore one of the hardest hit segments in all of retail. Many iconic brands, including J Crew and Brooks Brothers, and retailers, from Neiman Marcus to JC Penney, went bankrupt.

The collapse in demand at retail reverberated up the supply chain, and the Group was not exempt. However, the Group was probably less affected than most. Around half of the Group's sales goes to digitally native brands and platforms, which performed better than the brick-and-mortar brands during the pandemic. Secondly, the Group has an asset-light business model with a variable cost structure and no factory overhead, so a sharp downturn in sales did not result in unsustainable losses.

While COVID-19 caused short-term revenue and profitability challenges, it opened up long-term strategic opportunities. The pandemic has made valuations and terms of such acquisitions much more reasonable, and the Group has already taken advantage of two such opportunities. In the last month alone, the Group purchased certain accounts receivable, prepayment of inventories, purchase orders of Vista Apparels Limited ("**Vista**"), a premium sweater manufacturer, and Liwaco Overseas Marketing Limited ("**Liwaco**"), a premium technical outerwear manufacturer.

Both acquisitions enabled the Group to cross-sell new product categories to its existing customers. Within 2 weeks of the Vista acquisition, one of the Group's top-10 customers already placed orders for sweaters, demonstrating the acquisition's cross-selling synergies. Announced two days ago, the Liwaco acquisition represents the Group's first foray into the technical apparel market. With both fashion and technical apparel expertise, the company is well-placed to support its customers in the growing athleisure segment – at the intersection of sportswear and fashion.

As the pandemic and the resulting depressed fashion market persist, acquisition opportunities at attractive valuations are expected to continue to present themselves. The Group is in good position to continue to take advantage of such opportunities.

With a strong balance sheet and an asset-light business model, the Group expects to gain market share and benefit from industry consolidation opportunities during the crisis.

FINANCIAL REVIEW

Revenue

Revenue of the Group dropped by approximately 33.8% from approximately US$56.1 million in the first half of 2019 to approximately US$37.1 million for the six months ended 30 June 2020 ("**Period Under Review**"). 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:

	Six months ended 30 June			
	2020		2019	
	US$'000	*%*	*US$'000*	*%*
Digitally native	**16,839**	**45.3**	30,802	54.9
Conventional				
– Premium	**18,384**	**49.5**	23,464	41.8
– Moderate	**1,913**	**5.2**	1,865	3.3
Sub-total	**20,297**	**54.7**	25,329	45.1
Total	**37,136**	**100.0**	56,131	100.0

Our revenue generated from digitally native customers decreased from approximately US$30.8 million to approximately US$16.8 million during the Period Under Review when compared to the corresponding period in 2019, representing a decrease of approximately 45.3%. 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 from approximately US$23.5 million to approximately US$18.4 million during the Period Under Review when compared to the corresponding period in 2019, representing a decrease of approximately 21.7%, while the contribution of the total revenue from conventional premium customers increased from approximately 41.8% to approximately 49.5% during the Period Under Review when compared to the corresponding period in 2019. Such increase was attributable by a customer in the Greater China market which showed a considerable business rebound in region. On the other side, our revenue from conventional moderate customers remained relatively stable at approximately US$1.9 million.

Cost of sales

Our cost of sales mainly comprises material costs and subcontracting fees. Cost of sales decreased by approximately 33.1% from approximately US$39.7 million in the first half of 2019 to approximately US$26.6 million during the Period Under Review. Cost of sales as a percentage of total revenue slightly increased from approximately 70.8% in the first half of 2019 to 71.6% during the Period Under Review, which was mainly due to the decrease of order volume from our digitally native customers.

Gross profit and gross profit margin

Our gross profit and gross profit margin slightly dropped from approximately US$16.4 million and 29.2% in the first half of 2019 to approximately US$10.5 million and 28.4% during the Period Under Review, representing a decrease of approximately 35.7% and 0.8% respectively. Although revenue lowered due to COVID-19, we managed to maintain a relatively stable gross profit margin across customer categories when compared to the corresponding period in 2019. Set out below is the breakdown of gross profit and gross profit margin by customer type:

	Six months ended 30 June			
	2020		2019	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	US$'000	*%*	*US$'000*	*%*
Digitally native	**5,766**	**34.2**	10,182	33.1
Conventional				
– Premium	**4,313**	**23.5**	5,763	24.6
– Moderate	**462**	**24.2**	449	24.1
Sub-total	**4,775**	**23.5**	6,212	24.5
Total	**10,541**	**28.4**	16,394	29.2

Gross profit margin of both digitally native and conventional moderate brands had a slight increase from approximately 33.1% and 24.1% in the first half of 2019 to approximately 34.2% and 24.2% during the Period Under Review, respectively, while conventional moderate customers' gross profit margin slightly dropped from approximately 24.6% in the first half of 2019 to approximately 23.5% during the Period Under Review.

Profit for the Period Under Review

The Group incurred a net loss of approximately US$2.2 million for the six months ended 30 June 2020 (six months ended 30 June 2019: profit of US$2.0 million). The loss for the period is mainly attributable to the following factors:

– 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, resulted 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.

– As a result of COVID-19 which caused poor market sentiment in the United States of America and Europe, there have been delays to shipment of orders and cancellation of other orders by some of our customers.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a healthy financial position. Cash and cash equivalents of the Group as at 30 June 2020 were approximately US$14.1 million (at 31 December 2019: US$17.0 million). As at 30 June 2020, the Group had net current assets of approximately US$26.2 million. The current ratio as at 30 June 2020 was approximately 2.4 times whilst it was approximately 2.1 times for 2019.

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 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$10.2 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$28.8 million at 30 June 2020 (31 December 2019: US$34.3 million). As at 30 June 2020, the gearing ratio of the Group was approximately 26.4% (31 December 2019: 34.1%). 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 -22.6% in 2020 (31 December 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 (the "**Listing Date**") to 30 June 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 30 June 2020, the Group had utilized approximately HK$18.2 million of the proceeds for B2B online platform and digitalization projects, the repayment of debts, and general working capital. Unutilized net proceeds as at 30 June 2020 were deposited in licensed banks. The Directors intend to utilize the remaining net proceeds in the manner disclosed in the Prospectus by 2021.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no material contingent liability (31 December 2019: Nil).

EMPLOYEES AND REMUNERATION

As at 30 June 2020, the Group employed a total of 287 full-time employees (31 December 2019: 371 employees). For the six months ended 30 June 2020, the aggregate remuneration of the Group's employees (including Directors' remuneration) amounted to approximately US$6.5 million (six months ended 30 June 2019: US$6.3 million), representing an increase of approximately 3.2%.

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.

INTERIM DIVIDEND

No interim dividend was proposed by the Board for the six months ended 30 June 2020.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions in the Corporate Governance Code (the "**CG Code**") set out in the Corporate Governance Code contained in Appendix 14 to 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 Period Under Review.

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 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.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2020, the Company and its subsidiaries have repurchased 588,000 shares of the Company, which had been cancelled as at the date of this announcement.

EVENTS OCCURRING AFTER 30 JUNE 2020

On 31 July 2020 and 25 August 2020, Lever Shirt Limited (an indirect wholly-owned subsidiary of the Company), as purchaser ("**Purchaser**") entered into asset purchase agreements ("**Agreements**") with Vista Apparels Limited and Liwaco Overseas Marketing Limited, as vendors ("**Vendors**"), pursuant to which the Vendors have agreed to sell and the Purchaser has agreed to purchase certain accounts receivable, prepayment of inventories, purchase orders ("**Assets**") owned by the Vendors at consideration of HK$495,041.7, and US$4,418,470 respectively.

The Vendors are companies established in Hong Kong and are principally engaged in the business of trading of sweaters and technical outerwear respectively.

The entering into of the Agreements will enable the Company to further expand its apparel category portfolio by acquiring the Assets in relation to the production of sweaters and technical outerwear, providing a foundation for the Company to expand its business and further strengthen its market position. For further details, please refer to the announcements of the Company dated 31 July 2020 and 25 August 2020 respectively.

AUDIT COMMITTEE

The Company has established an Audit Committee on 12 October 2019 in compliance with the CG Code with written terms of reference. As at the date of this 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. For the six months ended 30 June 2020, 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 2019. 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 2020, recommending their adoption by the Board.

REMUNERATION COMMITTEE

The Company has established a Remuneration Committee on 12 October 2019 in compliance with the CG Code with written terms of reference. As at the date of this 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 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.

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 interim report of the Company for the six months ended 30 June 2020 will be dispatched to the shareholders of the Company 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, 27 August 2020

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