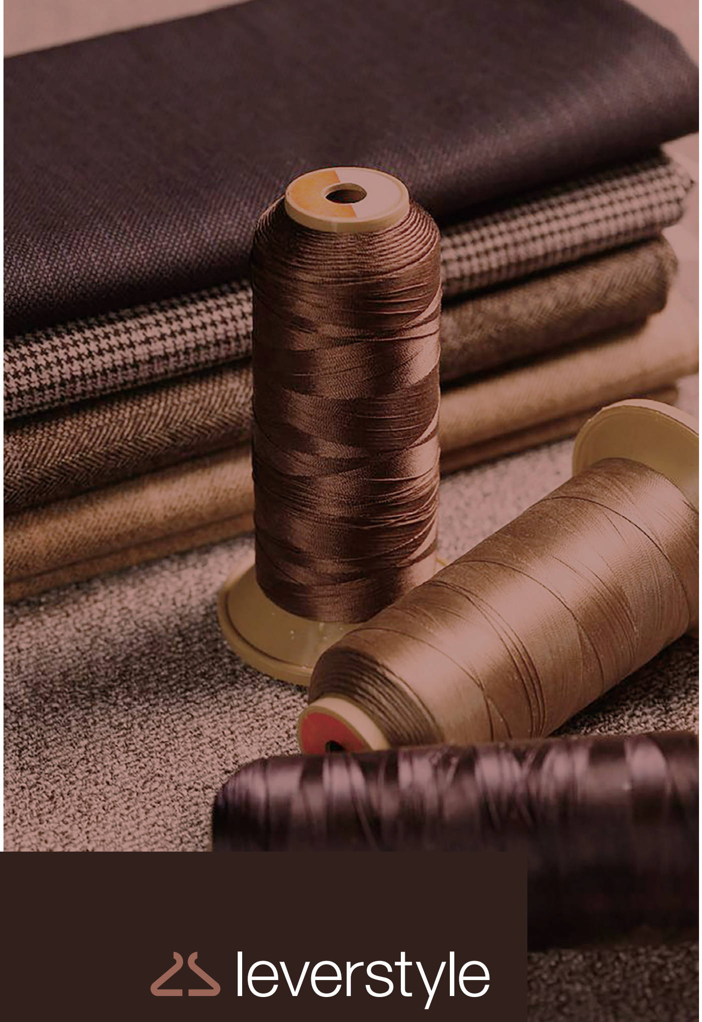


leverstyle

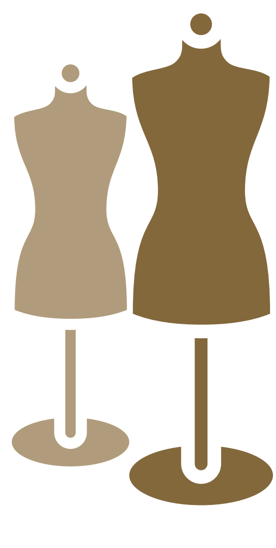
Lever Style Corporation
利 華 控 股 集 團

(Incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT 2019

Stock code:1346

Contents



Corporate Information

Board of Directors

Executive directors

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

Non-executive director

Mr. Kim William Pak

Independent non-executive directors

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

Audit Committee

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

Remuneration Committee

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

Nomination Committee

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

Company Secretary

Mr. Lee Yiu Ming

Registered Office

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

Principal Place of Business in Hong Kong

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

Principal Place of Business in China

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

Compliance Adviser

Altus Capital Limited
21 Wing Wo Street
Central
Hong Kong

Auditor

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

Legal Advisor

Withers
20/F, Gloucester Tower, The Landmark
15 Queen's Road Central
Hong Kong

Principal Share Registrar and Transfer Office

Conyers Trust Company (Cayman) Limited
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Tricor Investor Services Limited
Level 54 Hopewell Centre
183 Queen's Road East
Hong Kong

Principal Bankers

The Hongkong and Shanghai Banking Corporation Limited
HSBC Main Building
1 Queen's Road Central
Hong Kong

Hang Seng Bank Limited
83 Des Voeux Road
Central
Hong Kong

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

Company Website

www.leverstyle.com

Stock Code

1346

Chairman's Statement

On behalf of the Board, I am pleased to present the annual results of Lever Style Corporation (the "Company") and its subsidiaries (together with the Company, the "Group") for the year ended 31 December 2019.

The shares of the Company were listed on the Stock Exchange on 13 November 2019 (the "Listing Date"). The success of the Initial Public Offering (the "IPO") during the height of the Sino-US trade war and the social turbulence in Hong Kong was a testament of the Group's strong business model and execution capabilities.

I would like to take this opportunity to thank our loyal customers, supportive supply partners, and most importantly, our dedicated staff and management team. I would also like to express my sincere appreciation to our Shareholders and investors who have given us a vote of confidence.

Virus Crisis

Soon after the Group's IPO, the COVID-19 virus reared its ugly head in China. It has since spread to the rest of the world, with Western Europe and the US being the global epicenters at the time of this report.

The virus is causing not just a humanitarian crisis but also an economic one, as the world seems to be slipping into a global recession. As the virus started spreading in China, we witnessed and dealt with supply chain disruption, with China locked down, garment factories sitting idle, and fabric mills not running. Then by mid-March, the tables drastically turned as the virus started ravaging Europe and the US, retail stores shut, and demand for apparel suddenly plummeted. Supply chain disruption has given way to a collapse in demand.

Hit particularly hard will be the conventional brick-and-mortar brands and retailers, as rents and other store overheads still need to be paid, while consumers locked down at home get used to shopping online.

As the demand shock reverberates up the supply chain, not just many of the brands and retailers, but also many of the supply chain partners that supply to them, will be facing severe business difficulties.

Unless governments around the world step in to bail out brands, retailers, factories, fabric mills, and related players, there will be significant bankruptcies and closures along the entire global apparel value chain. The crisis will flush out the weaker players, those with outdated business models, and those without the financial wherewithal to survive the looming cash crunch.

Flexibility is Paramount

In times of crisis, our Group's asset-light business model becomes even more apparent. As the cliché goes, change is the only constant, and very few saw the Sino-US trade war and the recent collapse of demand coming.

Our versatile, asset-light, multi-country production platform helps us serve our customers better and reduce our own financial risks. Without owning factory assets and the associated overheads, our Group is better positioned than our competitors to shift production to other countries and to scale down production during demand troughs. Once the crisis is over, we will continue to look into expanding into new production countries and new facilities.

Chairman's Statement

E-Commerce Market Share Surging

E-commerce has been steadily gaining market share from conventional brick-and-mortar retail over many years. The virus is further accelerating this trend, as many consumers are locked down at home and get even more used to shopping apparel online.

Around half of our Group's sales go to digitally native brands and platforms, most of whom can use our expertise in managing high-mix low-volume production. Although even these customers are not immune to the current drop in apparel demand, e-commerce's market share surge is making them relatively less affected by the demand shock, thus also cushioning the demand shock's effect on our Group.

With fewer overheads and inventory management challenges associated with brick-and-mortar stores, and with consumers getting used to shopping online, digitally native brands are expected to gain further prominence after the crisis. We will further invest in our leading positioning serving this segment of customers.

Eventual Recovery and Consolidation

No one can predict when the virus will be contained, but when it eventually happens, there will be an inevitable economic rebound, even if demand for apparel does not quite return to its pre-crisis peak.

In the meantime, if meaningful closures and bankruptcies do materialize, any resulting reduction in supply capacity will drive the eventual demand rebound towards the stronger companies that survive.

With a strong balance sheet, especially after raising capital at the IPO, our Group is in a strong financial position to not just survive the crisis but to benefit from industry consolidation opportunities after the crisis.

The majority of the capital raised at our IPO is for funding acquisitions. We will continue to look for acquisition opportunities, and we expect terms and valuations to become more reasonable and affordable as the demand shock dims the prospects of many industry players. Having said that, we will proceed with absolute caution.

Silver Lining

While the current collapse in apparel demand is wracking havoc up the apparel supply chain, and our Group is certainly not exempt, we can see the silver lining and we remain cautiously optimistic for our longer-term prospects.

Once again, I would like to thank our many stakeholders, and especially our staff, for putting our Group in a strong position despite the current crisis.

Szeto Chi Yan Stanley
Chairman of the Board

30 March 2020

Management Discussion and Analysis

Financial Review

Revenue

Revenue of the Group grew by approximately 5.3% from US$115.9 million in 2018 to US$122.0 million in 2019. The increase reflected the outcome of our strategy to focus on customers with high growth potential and more attractive margins, which were mainly the digitally native customers. 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			
	2019		2018	
	US$'000	**%**	US$'000	%
Digitally native	**61,955**	**50.8**	53,653	46.3
Conventional				
– Premium	**51,991**	**42.6**	53,238	45.9
– Moderate	**8,037**	**6.6**	8,995	7.8
Sub-total	**60,028**	**49.2**	62,233	53.7
Total	**121,983**	**100.0**	115,886	100.0

Our revenue generated from digitally native customers increased from US$53.7 million in 2018 to US$62.0 million in 2019, representing an increase of approximately 15.5%, and it contributed to approximately 50.8% of the total revenue for 2019 (46.3% in 2018). The increase was mainly attributable to the continued increase in the order volume and number of digitally native customers as we continued to abide by the above business strategy.

Our revenue from conventional premium and conventional moderate customers dropped from US$53.2 million and US$9.0 million in 2018 to approximately US$52.0 million and US$8.0 million in 2019 respectively, representing a decrease of approximately 2.3% and 10.7% respectively. This was mainly attributable to our continued reduction in the lower margin orders during the year.

Cost of sales

Our cost of sales mainly comprises material costs and subcontracting fees. Cost of sales increased by approximately 0.8% from US$85.6 million in 2018 to US$86.3 million in 2019. However, cost of sales as a percentage of total revenue decreased from 73.9% in 2018 to 70.7% in 2019, representing the increase in efficiency in our operation and our business strategy of increasing the order volume from our digitally native customers.

Gross profit and gross profit margin

Our gross profit and gross profit margin grew from approximately US$30.3 million and 26.1% in 2018 to approximately US$35.7 million and 29.3% in 2019, representing an increase of approximately 18.0% and 3.2% respectively. Our strategic focus on digitally native brands enabled us to achieve higher gross profit margin than conventional moderate brands. Set out below is the breakdown of gross profit and gross profit margin by customer type:

	Year ended 31 December			
	2019		2018	
	Gross profit US$'000	**Gross profit margin %**	Gross profit US$'000	Gross profit margin %
Digitally native	**20,954**	**33.8**	14,147	26.4
Conventional				
– Premium	**12,774**	**24.6**	13,928	26.2
– Moderate	**1,979**	**24.6**	2,185	24.3
Sub-total	**14,753**	**24.6**	16,113	25.9
Total	**35,707**	**29.3**	30,260	26.1

Gross profit margin of both conventional premium and conventional moderate brands for 2019 remained stable at approximately 24.6%. The growth in gross profit margin of digitally native brands was substantial, which increased from approximately 26.4% in 2018 to 33.8% in 2019.

Profit for the year

The Group's net profit for the year ended 31 December 2019 decreased by approximately 25.1% to US$4.8 million (2018: US$6.5 million). The net profit margin was approximately 4.0% in 2019 (2018: 5.6%). The decrease in net profit was mainly due to the one-off and non-recurring listing expense. Should the effect of such expense be excluded, the Group would have exhibited a net profit of approximately US$7.2 million for 2019, representing an increase of approximately US$0.4 million or 6.1%. The then adjusted net profit margin for 2019 would be approximately 5.9%.

Management Discussion and Analysis

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

	2019 US$'000	2018 US$'000
One-off and non-recurring cost		
Listing expenses	**2,323**	287
Reported profit for the year	**4,839**	6,464
Adjusted profit for the year	**7,162**	6,751

Liquidity and Financial Resources

The Group maintains a healthy financial position. Cash and cash equivalents of the Group as at 31 December 2019 were approximately US$17.0 million (2018: US$3.1 million). As at 31 December 2019, the Group had net current assets of approximately US$31.7 million. Compared to approximately US$11.9 million as at 31 December 2018, it represented an increase of approximately US$19.7 million. The current ratio for 2019 was approximately 2.1 times whilst it was approximately 1.4 times for 2018.

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 2019, the Group had available banking facilities of approximately US$39.4 million. Out of the total available banking facilities, we had unutilized banking facilities amounted for approximately US$22.7 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$34.3 million at 31 December 2019 (2018: US$13.5 million). As at 31 December 2019, the gearing ratio of the Group was approximately 34.1% (2018: 53.6%). 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 -15.4% in 2019 (2018: 30.3%).

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 year ended 31 December 2019 and will be utilized after year ended 31 December 2019 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 2019, the Group had utilized approximately HK$6.7 million of the proceeds for B2B online platform and digitalization projects, and the repayment of debts. Unutilized net proceeds at 31 December 2019 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 2019, the Group had no material contingent liability (2018: Nil).

Employees and Remuneration

As at 31 December 2019, the Group employed a total of 371 full-time employees (2018: 331 employees). For the year ended 31 December 2019, the aggregate remuneration of the Group's employees (including Directors' remuneration) amounted to approximately US$11.4 million (2018: US$9.7 million), representing an increase of approximately 17.4%.

Management Discussion and Analysis

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.

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

Save for the business plan disclosed in the Prospectus or elsewhere in this annual report, there was no other plan for material investments or capital assets as at 31 December 2019.

Foreign Currency Exposure

The Group's reporting and functional currency is US$ whilst some of the Group's business transactions are denominated in various other currencies, primarily Renminbi and HK$. The Group currently does not have a foreign currency hedging policy. However, the management of the Group closely monitors foreign exchange exposure to ensure appropriate measures are implemented on a timely and effective manner.

Events after the Reporting Period

Save as disclosed in Note 43 to the consolidated financial statements, there was no other events after the reporting period that required to be disclosed.

Pledge of Assets

As at 31 December 2019, pledge of assets of the Group are set out in Note 32 to the consolidated financial statements.

Significant Investments Held

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

Material Acquisition or Disposal of Subsidiaries

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

Capital Commitments

As at 31 December 2019, capital commitments of the Group are set out in Note 42 to the consolidated financial statements.

Corporate Governance Report

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

Corporate Governance Practices

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited ("Stock Exchange") on 13 November 2019 (the "Listing Date"). The Company has adopted the code provisions in the Corporate Governance Code (the "CG Code") set out in Appendix 14 to the Rules governing the Listing of Securities on the Stock Exchange (the "Listing Rules") since the Listing Date. During the period from the Listing Date to the date of this annual report, the Board considers that the Company has complied with all the applicable provisions of the CG Code. The CG Code is not applicable to the Company before the Listing Date.

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

Board of Directors

Board composition

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

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

Executive directors

Mr. Szeto Chi Yan Stanley *(Chairman)*	(appointed as an executive Director on 13 March 2019)
Dr. Chan Yuk Mau Eddie *(Chief Executive Officer "CEO")*	(appointed as an executive Director on 13 March 2019)
Mr. Lee Yiu Ming	(appointed as an executive Director on 13 March 2019)

Non-executive director

Mr. Kim William Pak	(appointed as a non-executive Director on 13 March 2019)

Independent non-executive directors

Mr. See Tak Wah	(appointed on 12 October 2019)
Mr. Auyang Pak Hong Bernard	(appointed on 12 October 2019)
Mr. Lee Shing Tung Tommy	(appointed on 12 October 2019)

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

Roles and responsibilities of the Board

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

- in conjunction with management, establishing a vision and strategies for the Group;
- approving specific items of material capital expenditure, major acquisitions, investments and disinvestments;
- appointing Directors to the Board;
- approving any significant changes to accounting policies;
- approving public announcements, including financial statements;
- approving any interim dividends and recommending any final dividends to Shareholders;
- approving all circulars, statements and corresponding documents sent to Shareholders;
- approving the terms of reference and membership of Board Committees;
- approving Company policies which may be developed from time to time;
- providing leadership and strategic directions for the Group;
- overseeing the proper conduct of the business;
- ensuring prudent and effective controls and risk management system; and
- overseeing the development and implementation of shareholder communication policy.

Chairman and CEO

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

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

Dr. Chan Yuk Mau Eddie, being the CEO, is responsible for the overall management and corporate affairs of the Company. With the support of the senior management, the CEO has the general responsibility for day-to-day management of the Group’s business, implementation of the policies of the Board and making operational decisions. The Board is regularly provided with adequate, complete and reliable information of the Company in a timely manner, which includes but not limited to, the recent development and prospects of the Group. Therefore, the Board considers that there is sufficient balance of power and authority between the Board and the management of the Company, and that power is not concentrated in the hands of any one individual.

Non-executive Directors and Independent non-executive Directors

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

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

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

Board diversity policy

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

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

Board committee

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

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

Audit committee

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

As at the date of this report, the Audit Committee consists of three independent non-executive Directors, namely Mr. See Tak Wah (chairman of the Audit Committee), Mr. Auyang Pak Hong Bernard and Mr. Lee Shing Tung Tommy. During the year under review, the Audit Committee held one meeting, in respect of the year ended 31 December 2019, to review the consolidated financial statements of the Company and its subsidiaries for the three years ended 31 December 2018 and the four months ended 30 April 2019 for the purpose of Listing.

Subsequent to 31 December 2019 and up to the date of this annual report, the Audit Committee held one meeting and carried out the following activities to meet their responsibilities as set out in the terms of reference of the Audit Committee:

(a) reviewed the financial results of the Group for the year ended 31 December 2019 as well as its results announcement for the year ended 31 December 2019 and subsequently presented the reports to the Board for approval before its subsequent release to Stock Exchange's website and the Company's website;

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

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

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

Remuneration committee

The Company has established the Remuneration Committee pursuant to a resolution of the Board passed on 12 October 2019 with written terms of reference in compliance with the CG Code. As at the date of this report, the Remuneration Committee consists of three members, namely Mr. Auyang Pak Hong Bernard, (Chairman of the Remuneration Committee), Mr. See Tak Wah and Dr. Chan Yuk Mau Eddie. The primary functions of the Remuneration Committee include determining the remuneration packages of individual Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration. During the year under review and up to date of this annual report, the Remuneration Committee held two meetings to review the remuneration policy, structure of the Company and the remuneration packages of the Directors and other related matters. Details of the remuneration of the senior management by band are set out in note 12 in the notes to the consolidated financial statements for the year ended 31 December 2019.

Nomination committee

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

As at the date of this report, the Nomination Committee consists of three members, namely Mr. Lee Shing Tung Tommy (Chairman of the Nomination Committee), Mr. See Tak Wah and Mr. Auyang Pak Hong Bernard. The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant policies and procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independent Non-executive Directors. In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy, including but not limited to gender, age, cultural, educational background, professional qualifications, skills, knowledge, industry and regional experience etc. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

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

Corporate Governance Report

Board meetings

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

Attendance records of meetings

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

	Board Meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Number of meetings held during the year	1	1	1	1	Nil
Name of Directors	**Number of meetings attended/Number of meetings entitled to attend**				
Executive Directors					
Mr. Szeto Chi Yan Stanley *(Chairman)*	1/1	–	–	–	–
Dr. Chan Yuk Mau Eddie	1/1	–	1/1	–	–
Mr. Lee Yiu Ming	1/1	–	–	–	–
Non-executive Director					
Mr. Kim William Pak	1/1	–	–	–	–
Independent non-executive Directors					
Mr. See Tak Wah	1/1	1/1	1/1	1/1	–
Mr. Auyang Pak Hong Bernard	1/1	1/1	1/1	1/1	–
Mr. Lee Shing Tung Tommy	1/1	1/1	–	1/1	–

Appointment and re-election of Directors

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

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

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

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

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

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

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

Continuous professional development

According to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. For the year ended 31 December 2019 and prior to the Listing, all Directors participated in training courses on directors' responsibilities and obligations under the Listing Rules conducted by the Company's legal adviser, which covered among other topics, the CG Code as well as the company's and directors' continuing obligations. Each of the Directors has received the training materials on the first occasion of his or her appointment to ensure that he or she is fully aware of the director's responsibilities under the Listing Rules and all application laws in Hong Kong. In addition, each of the Directors has from time to time reviewed updates on laws, rules and regulations which might be relevant to their roles, duties and functions as a director of a listed company.

Directors' and Officers' insurance

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

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

Model Code for Securities transactions

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

Auditor's Remuneration

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

For the year ended 31 December 2019, the remuneration paid or payable to Deloitte Touche Tohmatsu in respect of the audit service and non-audit services for our Group are as follows:

Services rendered	*US$'000*
Audit service	306
Non-audit services (mainly as the reporting accountant of the Company in relation to the Listing)	520
Total	826

Company Secretary

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

In accordance with Rule 3.29 of the Listing Rules, Mr. Lee Yiu Ming undertook at least 15 hours of relevant professional training during the year ended 31 December 2019.

Directors' Responsibility in Respect of the Financial Statements

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

The Directors consider that, in preparing the financial statements, the Group has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and confirm that the financial statements have been prepared on a going concern basis.

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

Risk Management and Internal Control

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

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

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

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

Both the internal audit report and enterprise risk assessment report rendered by the independent internal control consultant are submitted to the Audit Committee and the Board at least once a year. The Board had performed annual review on the effectiveness of the Group's risk management and internal control systems, including but not limited to the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's review on risk management and internal control systems; the extent and frequency of communication with the Board in relation to result of risk and internal control review; significant failures or weaknesses identified and their related implications; and status of compliance with the Listing Rules. The Board considers the Group's risk management and internal control systems are effective.

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

For the year ended 31 December 2019, the Board, through the independent internal control consultant, conducted a review of the effectiveness of the risk management and internal control system, which covered the areas of compliance and risk management. The Board considered the system of the Group to be adequate and effective during the year ended 31 December 2019.

Disclosure of Inside Information

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

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

Shareholders' Rights

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

Procedures for shareholders to convene an EGM

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

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

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

Procedures for putting forward proposals at shareholders' meetings

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

Procedures for putting enquiries to the Board

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

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

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

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

Communication with Shareholders and Investors

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

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

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

Dividend Policy

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

(i) the general financial condition of the Group;

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

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

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

(v) general market conditions; and

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

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

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

Corporate Governance Report

Constitutional Documents

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

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

Non-Competition Undertakings

The Company has received a declaration from each of Mr. Szeto Chi Yan Stanley, Ms. Fong Tong, Imaginative Company Limited and Lever Style Holdings Limited (the "Covenantors"), the controlling shareholders of the Company, of their compliance with the terms of the non-competition undertaking ("Undertaking"). The Covenantors declared that they have fully complied with the Undertaking during the year ended 31 December 2019 and up to the date of this annual report. The independent non-executive Directors have also reviewed the compliance of the Undertaking by the Covenantors and formed the opinion that the Covenantors have not breached any terms of the Undertaking during the year under review.

Environmental, Social and Governance Report

1. About the Report

The Environmental, Social and Governance ("ESG") Report published by the Company presents the efforts and achievements made in sustainability and social responsibility by the Group. The ESG Report details the performance of the Group in carrying out the environmental and social policies and fulfilling the principle of sustainable development.

1.1 Scope of the Report

The ESG Report covers the environmental and social performance of all the Group's businesses for the period between 1 January 2019 and 31 December 2019 (the "Year"). Since that the major part of business operation of the Group occurs in Shenzhen, the People's Republic of China ("PRC") and hence the majority of the Group's employees are working in our office in Shenzhen, the environmental key performance indicators ("KPIs") as disclosed in the ESG Report for the Year are based on the performance of our office in Shenzhen. For details of corporate governance, please refer to the Corporate Governance Report on pages 11 to 24 of this report.

1.2 Reporting Standard

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

1.3 Reporting Principles

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

Quantitative environmental and social KPIs are disclosed in the ESG Report so that stakeholders are able to have a comprehensive understanding of the Group's ESG performance. Information of the standards, methodologies, references and source of key emission and conversion factors used on these KPIs are stated wherever appropriate. As this is the first ESG Report published by the Group, there were no changes in the methodologies for calculating the KPIs. The Group will adopt consistent methodologies as far as reasonably practicable in the future, in case of any changes that could affect a meaningful comparison of the KPIs between years.

1.4 ESG Governance

The Group believes that well-established ESG governance principles and practices will increase investment values, and provide long-term returns to stakeholders. In order to ensure the establishment of appropriate and effective ESG risk management measures and internal control systems, the Board of Directors is responsible for supervising the Group's ESG strategies and reporting, as well as assessing and determining ESG related risks. To improve the Group's ESG governance, the Board of Directors regularly arranges independent assessments and efficiency analysis on the adequacy and effectiveness of the aforementioned system through an internal review function.

1.5 Information and Feedback

Your opinions on the Group's ESG performance are highly valued. If you have any advice or suggestions, please feel free to contact the Company by referring to "Corporate Information" on page 2 of this report.

2. Stakeholder Engagement

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

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

Stakeholders	Requirements and Expectations	Response and Communication Channels
Government and Regulators	• Compliance with national policies, laws and regulation • Support for local economic growth • Contribution in local employment • Tax payment in full and on time • Production safety	• Regular information reporting • Regular meetings with regulators • Dedicated reports • Examination and inspection

Stakeholders	Requirements and Expectations	Response and Communication Channels
Shareholders	• Returns • Compliance operation • Rise in company value • Transparency and effective communication	• General meetings • Announcements • Email, telephone conversation and company website • Dedicated reports
Business Partners	• Operate with integrity • Equal rivalry • Performance of contracts • Mutual benefits	• Review and appraisal meetings • Business communication • Discussion and exchange of opinions • Engagement and cooperation
Customers	• Outstanding products and services • Health and safety • Performance of contracts • Operation with integrity	• Designated account managers for direct customer communication • Customer satisfaction surveys • Meetings with customers • Social media • Collection of feedback • Seasonal customer visit and product/design presentation
Environment	• Compliance with emission regulations • Energy saving and emission reduction • Environmental protection	• Communication with local environmental departments • Communication with the locals
Industry	• Establishment of industry standards • Enhancement of industry development	• Participation in industry forums • Field visits
Employees	• Protection of rights • Occupational health • Remunerations and benefits • Career development • Humanity cares	• Meetings with employees • Intranet • Employee mailbox • Training and workshops • Employee activities

Stakeholders	Requirements and Expectations	Response and Communication Channels
Community and the public	• Enhancement of community environment • Participation in charity • Transparency	• Company website • Announcements • Interview with the media

With the opinions and information collected from stakeholders through various channels, the Group has a better understanding on the ESG-related issues concerned by the stakeholders. The Group has also gathered the management's view on ESG-related issues through questionnaires. The information gathered, after being analysed, helped the Group identify and priorities ESG issues which are concerned by stakeholders and are highly related to the Group's business.

Aspects	Material Issues
Environment	Environmental Compliance
Labour Practices	Employment Compliance Occupational Health and Safety Working Hours and Rest Periods Prevention of Child Labour and Forced Labour
Operating Practices	Operational Compliance Quality Management Information Security and Privacy Protection Anti-corruption

3. Environmental Protection

As a responsible corporation, the Group protects the environment at the area where it operates while striving to develop its business. The Group strictly abides by relevant laws and regulations concerning wastes, exhaust gases and wastewater, such as the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste, the Environmental Protection Law of the PRC, and the Energy Conservation Law of the PRC.

Despite the fact that the business of the Group does not generate heavy pollution or consume a large amount of resources, the Group still puts in place a number of policies concerning our nature of apparel supply chain solutions business which guide emission control, waste management, water saving and energy conservation in order to deliver its long-standing commitment to environmental protection. During the Year, the Group was not aware of any material non-compliance with relevant laws and regulations relating to environmental issues.

3.1 Emission

As a supply chain solutions provider, the Group is not directly involved in manufacturing processes thus direct air and water pollutants were not emitted from its main business operations during the Year. The source of air pollutants of the Group comes from the private cars that were used in supporting and maintaining our daily business operation. The exhaust gases emitted by the Shenzhen office during the Year are as follows:

Exhaust Gases[1]	Amount (kg)
Nitrogen oxides (NO_x)	12.62
Sulphur oxides (SO_x)	0.21
Particulate matter (PM)	0.93

1. The data of exhaust gases was calculated based on the EMFAC-HK Vehicle Emission Calculation model issued by the Environmental Protection Department. The emission factors given in the model are based on assumptions of 80% relative humidity, a temperature of 25 degrees Celsius, an average speed of 30kmh, and include running exhaust emissions only.

Global warming has sparked heated discussions in recent years across the globe and different sectors of society have enacted actions to tackle the rough circumstance, the Group is no exception. The Group emphasised greenhouse gas emission control by implementing an assortment of measures ranging from resources management to energy saving. The Group's greenhouse gas emission is mainly generated from office operation, which can be classified into three scopes: scope 1 – direct emissions from combustion of fuels in vehicles; scope 2 – energy indirect emissions from purchased electricity; and scope 3 – other indirect emissions from electricity used for fresh water and sewage processing, outbound business trips by employees and methane gas generation at landfill due to disposal of paper waste. Greenhouse gas emissions of the Shenzhen office during the Year are as follows:

Greenhouse Gases	Amount
Total greenhouse gas emissions (tonnes CO_2e)[1]	419.22
Scope 1 – Direct Emissions (tonnes CO_2e)[2]	34.47
Scope 2 – Energy Indirect Emissions (tonnes CO_2e)[3]	188.22
Scope 3 – Other indirect emissions (tonnes CO_2e)[4]	196.53
Intensity (tonnes CO_2e/employee)	1.13

1. Greenhouse gas emission is presented in tonnes of carbon dioxide equivalent.

2. Calculated based on the "Guidelines for Accounting and Reporting of Greenhouse Gas Emissions of Road Transport Corporation (Trial)"《陸上交通運輸企業－溫室氣體排放核算方法與報告指南（試行）》 issued by the National Development and Reform Commission of the PRC.

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

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

General office waste is the major non-hazardous waste of the Group, which is recycled as far as possible, and is collected and processed collectively by the property management. The Group ensures that non-hazardous wastes are collected and disposed of in a proper and legal manner. Hazardous wastes, such as toner cartridges, are returned to venders for recycling in a bid to avoid detrimental impacts to the environment. Wastes generated by the Shenzhen office during the Year are as follows:

Wastes	**Amount (tonnes)**	**Intensity (tonnes/employee)**
Non-hazardous waste[1]	184.80	0.50
	Amount (kg)	**Intensity (kg/employee)**
Hazardous waste	21.90	0.06

1. Calculated with conversion factor provided by the Shenzhen Urban Management Bureau.

3.2 Green Operation

The Group endeavours to promote sustainable development by adopting numerous measures on reducing resources consumption, as well as raising employee's environmental awareness and encouraging them to take part in environmental protection.

As a way to reduce the amount of waste and minimise the use of resources, employees are encouraged to actively commit to a low-carbon lifestyle in aspects such as clothing, working, living and commuting. The Group always encourage its staff to donate surplus clothes to charitable organisations, to wash clothes only when laundry load is full, and to air dry clothes instead of using a drier. As for office wastes, the Group purchases products with improved recyclability, higher recycled content, reduced packaging and greater durability. The Group also encourages its employees to reduce the usage of disposable and non-recyclable products so as to achieve waste reduction. Employees are also reminded to recycle used computer products and other electrical or electronic products as far as possible.

Apart from waste generation, greenhouse gas emission is another major concern of the Group. The Group's dedication to reducing carbon footprint can be reflected by a couple of measures, targeting at various sources of emission. For example, employees who are engaged actively in overseas meetings are encouraged to substitute phone or video conferences for overseas business travels to avoid unnecessary outbound travels. The Group organises events at locations easily accessible by public transportation and optimise route planning for goods delivery to reduce carbon footprint on transportation. Also, the Group proactively avoids or reduces the amount of paper waste generated by using electronic means to disseminate information internally, setting printers to default duplex and monitoring printing volume regularly.

The Group will continue to implement and strengthen measures on reduction of greenhouse gas emissions to make a significant contribution to greening the environment and relieving global warming. The resources consumption of the Group mainly occurs in the use of electricity in its daily office operation, while the consumption of other resources includes the use of water and paper. The Group is not involved in the use of any packaging materials for all its businesses.

3.3 Energy Conservation

The consumption of electricity and use of vehicles are the major sources of energy consumption of the Group. During the Year, the Group, being aware of the possible impacts resulted from the use of energy such as the emission of greenhouse gases and other air pollutants, shouldered the burden of emission reduction and dedicated considerable efforts to reducing energy consumption in our office operation. The energy consumption of the Shenzhen office during the Year is as follows:

Energy Consumption	**Amount**
Total energy consumption (MWh)	495.97
Direct consumption – fuel used for vehicles (MWh)[1]	138.88
Indirect consumption – purchased electricity (MWh)	357.09
Intensity (MWh/employee)	1.34

1. Calculated with conversion factors in the "Guidelines for Accounting and Reporting of Greenhouse Gas Emissions of Road Transport Corporation (Trial)" (《陸上交通運輸企業－溫室氣體排放核算方法與報告指南(試行)》) issued by the National Development and Reform Commission of the PRC.

To effectively lower energy consumption, the Group has worked on the lighting system to minimise electricity use. The Group ensures all light fixtures and lamps are cleaned regularly to maximise their efficiency and utilise natural light as far as practicable. The Group has installed energy-efficient lighting and separated the office area into different lighting zones so that lighting can be used more flexibly.

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

3.4 Water Conservation

The Group does not produce or discharge any industrial wastewater in our operation yet small amount of domestic sewage is inevitably generated in office which is discharged into the municipal sewage pipe network for treatment. Water is a precious resource therefore conservation of water is of great importance from the Group's perspective. The Group has recognised that raising employees' awareness of water saving is essential in bringing actual effects to water conservation and thereby continuously promoting water saving awareness and practices within the Group. The Group uses water-efficient equipment such as dual-flush toilets and water taps and other equipment with water efficiency labels. The Group also checks for hidden water leakage periodically and will fix dripping tips immediately once problems are found. During the Year, the Group did not face any issue in sourcing water and the water consumption of our Shenzhen office is as follows:

Water Consumption	Amount (m^3)	Intensity (m^3/employee)
Total water consumption	2,943.92	7.94

4. Employee-focused

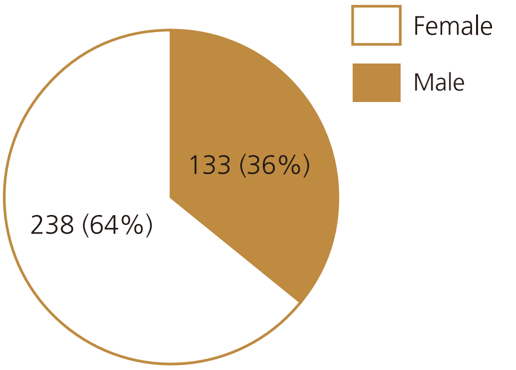
The dedication and contributions of employees are essential to the long-term and sustainable development of the Group. The Group understands that well-established employment policies enable us to attract and retain talents. Apart from complying with the laws and regulations concerning employment, occupational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

4.1 Employee's Rights and Interests

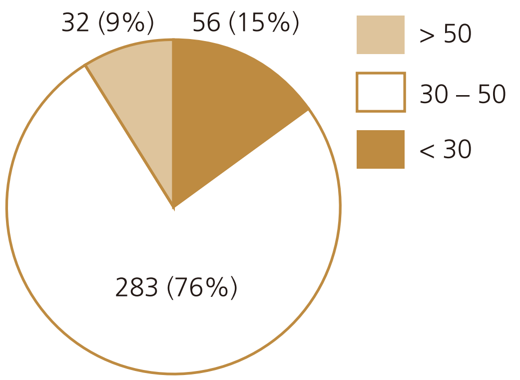
As an equal opportunity employer, the Group assures all candidates of a fair and open recruitment process. We strictly follow the Employment Ordinance of Hong Kong, Labour Law of the PRC and Labour Contract Law of the PRC. Anti-discrimination is highly valued, the Group does not tolerate any form of discrimination on the grounds of race, color, sex, age, religion, national origin, sexual orientation, marital or veteran status, ancestry, citizenship, disability, or any other characteristics protected by law, not only during the selection of candidates, but also the consideration of promotion, training and reward provision of employees. Employees are assessed only on their contribution, job performance, qualifications and skills. Employees who are believed to be subject to discrimination or harassment can report the cases to supervisors, managers or the human resources department for investigation. To retain talents, the Group reviews and adjusts the salary structure of employees annually. The Group also offers competitive remuneration to its employees according to both internal and external benchmark as incentives and to build a high-calibre team which is essential to the Group's success.

As at 31 December 2019, the Group employed a total of 371 employees. The distributions of employees by different categories of the Group are as follows:

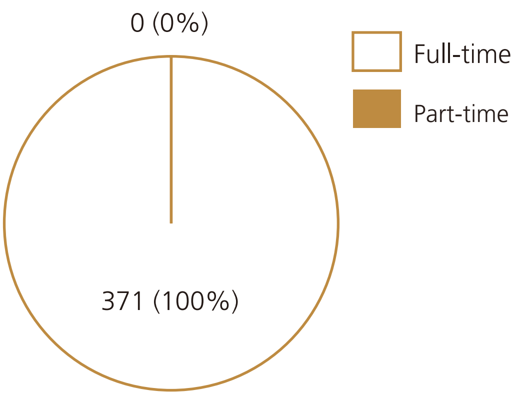
By Gender



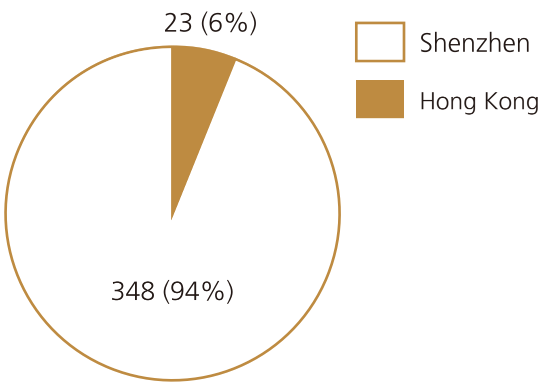
By Age



By Employment Types



By Geographical Location



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

As at 31 December 2019, the turnover rates of employees of the Group by different categories are as follows:

	Turnover rate (%)
By Gender	
Female	33
Male	21
By Age	
Below 30	39
30 to 50	28
Above 50	22
By Geographical Location	
Hong Kong	17
Shenzhen	30

4.2 Promotion and Development

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

During the Year, the Group conducted a variety of training programmes for employees at different levels and from different departments. For instance, staff were updated with knowledge and trained with techniques regarding the application of new software or hardware, such as computer programs about Microsoft Office tools during the Year. The Group also offered case studies on topics such as serving new customers, enterprise mobility and information security, trade terms and sustainability programs for fast retailing. Moreover, the Group organised new employee orientation in order to let new-joined staff to get familiarised with the Group's businesses, operation and culture. During the Year, the average training hours per employee and percentage of trained employees of the Group are as follows:

	Average Training Hours per Employee (hours)	Percentage of Trained Employees (%)
By Employee Category		
Senior	15.1	100%
Intermediate	22.2	100%
Junior	1.6	39%
By Gender		
Female	3.9	49%
Male	5.5	49%

While education acts as the foundation for the growth and development of our employees, chances of promotion, and hence a clear career pathway are also provided by the Group. Appraisal review for employees is conducted regularly so that employees who have met the expectations and achieved strong performance can be considered for promotion. It is hoped that every employee is able to advance his/her career by working in the Group.

4.3 Health and Safety

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

Employees at all levels, particularly the management and the Health and Safety Committee, are accountable for maintaining a vigorous and injury-free working environment by following safety initiatives. The Group implements safety guidelines and organise educational training for promoting the prevention of occupational diseases on a regular basis, such as reminding employees to keep the workplace clean at all time and providing training in respect of first-aid and preventive measures to strengthen employees' safety awareness. Employees are required to strictly comply with the working and operational procedures and the laws and regulations in respect of occupational health and safety so as to prevent accidents and occupational diseases consciously. Moreover, hazardous chemicals are stored separately with clear labels, while personal protective equipment is provided to employees according to the needs of various positions. Designated personnel are assigned to monitor and ensure that employees wear appropriate personal protective equipment. The Group also participates in the annual fire and evacuation drill so that employees are familiarised with the fire evacuation route and their awareness of fire precaution can be strengthened. The Group has also set clear guidelines for work under typhoon and rainstorm conditions in accordance with relevant regulations so as to ensure the safety of all staff under extreme weather.

In case of any occurrence of work-related injuries or illness, or reports on unsafe and unhealthy work practices, the Group will make corresponding responses promptly by investigating the cases, planning for remedial measures and providing necessary assistance to the persons involved. During the Year, there was no fatality and two work-related injuries were reported which resulted in 39 lost days due to work injury.

4.4 Welfare

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

Work-life balance is also emphasised by the Group. During the Year, the Group organised activities such as Christmas party, festival celebrations, district corporate table tennis tournament, hiking and marathon to provide opportunities for employees to relax and interact.

5. Business Optimisation

The sustainable development of an enterprise highly hinges on the quality and efficiency of its business operations. On top of complying with relevant laws and regulations concerning product quality and safety, advertising, intellectual property rights and privacy, including but not limited to the Product Quality Law of the PRC, Copyright Law of the PRC, Patent Law of the PRC, Advertising Law of the PRC, the Personal Data (Privacy) Ordinance and all relevant intellectual property laws of Hong Kong, the Group strictly manages supply chain and oversee the quality of raw materials and products, earnestly serving its customers and behaving ethically in the market. Besides, we have taken measures to protect intellectual property rights and customer's privacy to safeguard their rights and interests.

5.1 Supply Chain Management

To thoroughly fulfill the environmental and social responsibility, management of our business operation including the supply chain cannot be neglected. To ensure that qualified products and service are provided at the request of the Group, the Group works closely with our supply chain partners in an effort to oversee its supply chain practices thoroughly. Procedures for the selection of suppliers have been set up and strictly followed. The Group enters into contracts with suppliers, indicating the requirements regarding quality, logistics packaging and storage. The Group always prefers suppliers with high credibility, and by no means works with suppliers who are not in compliance with applicable laws and regulations with respect to anti-discrimination, employment of child or forced labour, bribery, corruption, irresponsible environmental behavior or any other unethical practices. The Group conducts regular review on suppliers in respect of quality, co-operation and cost effectiveness, as well as corporate social responsibility covering aspects such as environmental protection, energy saving capacity, compliance with child labour laws as well as labour and human rights. The Group will stop its cooperation until the situation is rectified if a supplier is found to be inconsistent with the Group's contractual requirements. The Group also aims to attain responsible purchasing and build up a competitive advantage through the green procurement process.

5.2 Product and Service Quality

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

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

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

5.3 Customer Services

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

5.4 Respect for Intellectual Property Rights and Privacy

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

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

Besides, the Group's employees shall sign a confidentiality agreement before employment to undertake that they will not disclose any customers' information to any third party. The Group only collects personal data which are necessary for conducting business, and the data will not be used for any purposes without the consent of the related persons. Personal data is not allowed to be transferred or disclosed to entities which are not a member of the Group. The confidentiality obligations of employees persist for a certain period even after the termination of the employment with the Group.

6. Anti-Corruption

Ethics and professionalism are the Group's core values in conducting business, so the Group is dedicated to running the business with integrity and cultivating an ethical corporate culture. The Group strictly conforms to relevant laws and regulations, such as the Anti-Money Laundering Law of the PRC and the Prevention of Bribery Ordinance of Hong Kong. Whistle-blowing policy and guidelines are included in the employee handbook which embodies the principles of integrity, respect, trust and judgment. Employees can report any irregularities to the designated personnel and the Group will investigate the improper behaviors and take corresponding remedial measures against the irregularities. The Group under no circumstances allows any bribery, corruption, extortion, money-laundering or other fraudulent activities. Employees are required to possess high ethical standards and demonstrate professional conduct in all business dealings with our stakeholders. During the Year, the Group was not involved in any legal cases or breach of laws and regulations that have a significant impact on the Group in relation to bribery, corruption, extortion, fraud and money laundering.

7. Community Contribution

Support from society and community has long been an important element for the growth and development of the Group, the Group therefore recognises the importance of serving the community with love and care. During the Year, the Group donated one piece of garment to non-governmental organisations and charitable organisations for every one thousand garment products sold in order to give back to society for helping those in need and to reduce wastage and protect the environment in a sustainable way. As of 31 December 2019, the Group has donated 12,845 pieces of garment and was grateful to receive certificate of appreciation from charitable organisation such as Crossroads, Savers, The Salvation Army, the Lions Clubs International Shenzhen and the Shenzhen Project Care Organising Committee.

Appendix: KPI Reporting Guide

KPI	Description	Chapters	Page No.
Environment			
A1 Emissions			
A1.1	The types of emissions and respective emissions data.	Emission	29
A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	Emission	29
A1.3	Total hazardous waste produced and, where appropriate, intensity.	Emission	30
A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Emission	30
A1.5	Description of measures to mitigate emissions and results achieved.	Green Operation; Energy Conservation	30–32
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Emission; Green Operation	29–31
A2 Use of Resources			
A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Energy Conservation	31
A2.2	Water consumption in total and intensity.	Water Conservation	32
A2.3	Description of energy use efficiency initiatives and results achieved.	Energy Conservation	31–32
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water Conservation	32
A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Green Operation	30–31
A3 The Environment and Natural Resources			
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Emission; Green Operation; Energy Conservation; Water Conservation	29–32

KPI	Description	Chapters	Page No.
Social			
B1 Employment			
B1.1	Total workforce by gender, employment type, age group and geographical region.	Employee's Rights and Interests	34
B1.2	Employee turnover rate by gender, age group and geographical region.	Employee's Rights and Interests	35
B2 Health and Safety			
B2.1	Number and rate of work-related fatalities.	Health and Safety	37
B2.2	Lost days due to work injury.	Health and Safety	37
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety	37
B3 Development and Training			
B3.1	The percentage of employees trained by gender and employee category.	Promotion and Development	36
B3.2	The average training hours completed per employee by gender and employee category.	Promotion and Development	36
B4 Labour Standards			
B4.1	Description of measures to review employment practices to avoid child and forced labour.	Employee's Rights and Interests	35
B4.2	Description of steps taken to eliminate such practices when discovered.	Employee's Rights and Interests	35
B5 Supply Chain Management			
B5.1	Number of suppliers by geographical region.	*No relevant disclosure for the Year*	N/A
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply Chain Management	38

KPI	Description	Chapters	Page No.
B6 Product Responsibility			
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Products and Service Quality	39
B6.2	Number of products and service related complaints received and how they are dealt with.	*No relevant disclosure for the Year*	N/A
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Respect for Intellectual Property Rights and Privacy	39–40
B6.4	Description of quality assurance process and recall procedures.	Products and Services Quality	38–39
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Customer Services; Respect for Intellectual Property Rights and Privacy	39–40
B7 Anti-corruption			
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Anti-Corruption	40
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-Corruption	40
B8 Community Investment			
B8.1	Focus areas of contribution.	*No relevant disclosure for the Year*	N/A
B8.2	Resources contributed to the focus area.	Community Investment	40

Directors and Senior Management

Executive Directors

Mr. Szeto Chi Yan Stanley, aged 45, is the Chairman of our Group. He was appointed as an executive Director of our Company on 13 March 2019. Mr. Szeto is primarily responsible for the corporate strategic planning, overall business development and management of our Group.

Mr. Szeto has over 18 years of experience in the garment industry since he joined Lever Shirt in May 2000 as chairman and chief executive officer. Prior to joining our Group in 2000, Mr. Szeto worked at JP Morgan's (now known as JP Morgan Chase and Co.) Global Investment Banking Department from August 1996 to July 1998 and then worked at Prudential Asset Management Asia Limited from 1998 to 2000. Mr. Szeto was the chief executive officer of our Group from May 2000 to December 2016 and he has been the Chairman of our Group since May 2000.

Mr. Szeto graduated magna cum laude from the Wharton School of Finance and Commerce at the University of Pennsylvania, U.S., with a Bachelor of Science in Economics degree in Finance with majors in Finance, Entrepreneurial Management, and an Individualised Concentration in the topic area of Legal Studies in May 1996.

Mr. Szeto currently serves as a west coast board member of the Baker Retailing Center, an interdisciplinary research center and innovation think tank at the Wharton School of University of Pennsylvania, U.S.. Mr. Szeto is currently a member of the Small and Medium Enterprises Committee of the Hong Kong Government's Trade and Industry Department. He is also the vice-chairman of the Hong Kong Garment Manufacturers Association, a director of the Federation of Hong Kong Garment Manufacturers and a director of the Hong Kong Shippers' Council. Mr. Szeto was a past member of the Hong Kong Government's Textiles Advisory Board and the Hong Kong Polytechnic University's Advisory Committee on Textile and Clothing Industries from April 2014 to March 2015 and November 2015 to October 2017 respectively.

Mr. Szeto was the chairman of Hong Kong Textile Council, from September 2015 to December 2019 and represented the Textiles and Garment sector as an Election Committee member to select the Chief Executive of Hong Kong in 2017.

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

Directors and Senior Management

Dr. Chan Yuk Mau Eddie, aged 61, was appointed as an executive Director of our Company on 13 March 2019. He is also a member of the remuneration committee. Dr. Chan was appointed as the chief operation officer and president in January 2015 and as the chief executive officer of our Group in January 2017 respectively and is responsible for the overall operation, strategic planning and overall business management of our Group.

Dr. Chan has over 35 years of experience in the textiles and apparel industry. Prior to re-joining our Group in January 2015, Dr. Chan was appointed as director (Technical Development Centre) and later as director (Operations Management Office), sales director (Apparel Division) and group director (Operational Excellence) of Esquel Group from January 2004 to September 2014, a vertically integrated textile and apparel manufacturing company with its headquarters in Hong Kong. From May 1988 to December 2003, Dr. Chan worked as marketing manager and later as assistant general manager, general manager and finally as the chief operation officer & director of Lever Shirt, a wholly-owned subsidiary of our Group. From November 1987 to April 1988, Dr. Chan was a senior merchandiser at Mast Industries (Far East) Limited, an apparel trading company in Hong Kong. From August 1983 to August 1986, Dr. Chan worked as a merchandiser at Laws Fashion Knitters Limited, a knitted garment manufacturer and distributor in Hong Kong. From February to August 1983, Dr. Chan worked as a quality controller at Index Fashion Company Limited, a fashion company incorporated in Hong Kong. From November 1982 to January 1983, Dr. Chan worked as a quality controller at Textile Alliance Limited, a garment manufacturer in Hong Kong.

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

Dr. Chan was admitted as a member of the Hong Kong Institution of Textile and Apparel in October 2003, a chartered member of the Textile Institute of the United Kingdom in June 2004 and a member of the Hong Kong Institute of Marketing in November 2004. Dr. Chan had been the chairman of the Hong Kong Institution of Textile and Apparel from 2017 to July 2019.

Mr. Lee Yiu Ming, aged 55, was appointed as an executive Director of our Company on 13 March 2019. Mr. Lee was appointed as the chief financial officer of our Group in January 2015 and is primarily responsible for the financial planning and corporate management of our Group.

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

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

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

Non-executive Director

Mr. Kim William Pak ("Mr. Kim"), aged 47, was appointed as a non-executive Director of our Company on 13 March 2019. Mr. Kim participates in the formulation of corporate business strategies of our Group.

Mr. Kim has extensive managerial experience in the fashion industry. He was a part of the senior management of Burberry Group Plc from 2010 to 2012, holding managerial positions including senior vice president for digital commerce and senior vice president – retail, Americas. Mr. Kim was appointed as the chief executive officer of All Saints Retail Ltd in October 2012 until September 2018.

Mr. Kim graduated with a Bachelor of Science degree in business from the University of Colorado, U.S., in December 1994.

Independent non-executive Directors

Mr. See Tak Wah ("Mr. See"), aged 56, joined our Company as an independent non-executive Director on 12 October 2019. His appointment as the chairman of the audit committee and a member of each of the nomination committee and remuneration committee of our Company was effected on 13 November 2019.

Mr. See has over 27 years of experience in financial and general management. Mr. See worked at Mobil Oil Hong Kong Limited from July 1990 to June 1992 in which he held the positions of MIS Accountant, System/MIS Accountant and Accountant Operations. He later worked as the regional business controller of Nokia Mobile Phones (HK) Ltd in July 1992 and was promoted to the managing director in October 1995 until he left in December 1997. From January 1998 to March 1999, Mr. See was the general manager of Philips. He later joined Siemens as the general manager, North Asia in March 1999 until he joined First Mobil Group Holdings Limited as its chief operating officer in October 2000. Mr. See currently runs his own boutique management consultancy practice focusing on business strategy formulation and transformation consultation.

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

Mr. See is currently an independent non-executive director and chairman of audit committee of Chu Kong Petroleum and Natural Gas Steel Pipe Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1938) and an independent non-executive director and chairman of the audit committee and a member of the remuneration committee, the nomination committee and the internal control committee of Tesson Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1201). Mr. See was an independent non-executive director of Unisplendour Technology (Holdings) Limited (formerly known as Sun East Technology (Holdings) Limited) from 2004 to 2016, a company listed on the Main Board of the Stock Exchange (stock code: 365).

Mr. Auyang Pak Hong Bernard ("Mr. Auyang"), aged 52, was appointed as our independent non-executive Director on 12 October 2019. His appointment as the chairman of the remuneration committee and member of the audit committee and a member of the nomination committee of our Company was effected on 13 November 2019.

Mr. Auyang has over 28 years of experience in general management and the corporate industry. Mr. Auyang has worked at Computime Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 320), providing smart solutions and contract manufacturing services, from 1991 to 2009 in which he was appointed as the chief executive officer and the executive director since the listing of Computime Group Limited on the Main Board of the Stock Exchange (stock code: 320) until November 2009. He has also been the chairman of Vida Nova Ventures, a Hong Kong based investment firm since 2009 and the chief executive officer of Altis Zenus Group, a brand and technology company focusing on innovative communication and outdoor products since 2016. Mr. Auyang is also currently an outside director, the chairman of the nomination committee and the compensation committee of Sumida Corporation, a company listed on the Tokyo Stock Exchange, First Session (stock code: 6817). On 1 April 2020, Mr. Auyang was re-designated, from a non-executive director, to an executive director and appointed as chief executive officer of Computime Group Limited.

Mr. Auyang was a recipient of the Young Industrialist Awards of Hong Kong in 1999 and was named the Hong Kong Young Industrial Ambassador in 2002. He is also currently the chairman of the Hong Kong-America Center, council member of St. Paul's Co-educational College, member of the advisory board of the Institute of Chinese Studies of the Chinese University of Hong Kong and court member of the Hong Kong University of Science and Technology. Mr. Auyang was also the past international chairman of the Young Presidents' Organization, a global network of young chief executives, for the year 2014 to 2015.

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

Mr. Lee Shing Tung Tommy ("Mr. Tommy Lee"), aged 52, was appointed as our independent non-executive Director on 12 October 2019. His appointment as the chairman of the nomination committee and a member of the audit committee was effected on 13 November 2019.

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

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

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

Senior Management

Mr. Ng To Chi Eric, aged 41, joined our group in July 2018 as the vice president (Operations). He is primarily responsible for the operational aspects including quality assurance, liaising with contract manufacturers and overlooking the corporate social responsibility of our Group.

Mr. Ng has approximately 15 years of experience in operational management. Prior to joining our Group, Mr. Ng was a general manager (Cambodia) of Clover Group International Limited from May 2015 to July 2018. From September 2009 to February 2011, Mr. Ng was a sample production manager of Dongguan Hongyu Garment Co. Limited, an apparel company incorporated in Dongguan. From March 2011 to December 2013, Mr. Ng was the general manager of TDTM (Ten Day Ten Month) Limited (now re-named as Spray Co. Limited), a trading company for ladies fashion in Hong Kong. From December 2013 to May 2015, Mr. Ng was PPC/MER manager (Cambodia) at Crystal Group – Perfect Growth Limited (Cambodia), an apparel company in Hong Kong. From July 2002 to September 2009, Mr. Ng was employed as management trainee and later as manager of garment outsourcing (Guangdong) at Esquel Group, a textile manufacturing company.

Mr. Ng obtained a Bachelor of Science in Industrial Engineering and Engineering Management from the City University of Hong Kong in November 2002.

Directors' Report

The Directors present their annual report and the audited consolidated financial statements for the year ended 31 December 2019.

Group Reorganization and Share Offer

The Company was incorporated as exempted company with limited liability in the Cayman Islands on 27 February 2019.

Pursuant to a reorganisation in the preparation for the Listing, the Company became the holding company of the Group. Details of the reorganization are set out in the Prospectus issued by the Company on 31 October 2019 ("Prospectus"). The Company's shares were listed on the Main Board of the Stock Exchange on 13 November 2019.

Principal Activities

The Company is an investment holding company. The Group is engaged principally in the trading of garments. The activities of its subsidiaries are set out in Note 38 to the consolidated financial statements.

Business Review and Performance

A review of the business of the Company and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement and Management Discussion and Analysis, respectively, from pages 4 to 10 of this Annual Report. The outlook of the Company's business is discussed throughout this Annual Report.

Results and Dividends

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 64 of this report.

The Board has recommended to pay the shareholders of the Company a final dividend of HK4 cents per ordinary share for the year ended 31 December 2019, amounting to a total of approximately HK$25,600,000 (equivalent to approximately US$3,287,000). Subject to the approval of the proposed final dividend by the shareholders of the Company at the annual general meeting (the "AGM") to be held on Tuesday, 16 June 2020, the proposed final dividend is expected to be paid on Wednesday, 8 July 2020.

Directors' Report

Closure of Register of Members

The AGM will be held on Tuesday, 16 June 2020. 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 Thursday, 11 June 2020 to Tuesday, 16 June 2020, 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 Wednesday, 10 June 2020.

For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend (subject to the approval of the Shareholders at the AGM), the register of members of the Company will be closed from Tuesday, 23 June 2020 to Friday, 26 June 2020, both days inclusive, during which period no transfer of shares will be registered. To qualify for the proposed final 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 22 June 2020.

Plant and Equipment

Details of movements during the year in the Group's plant and equipment are set out in Note 15 to the consolidated financial statements.

Share Capital

Details of movements in the share capital of the Company during the year are set out in Note 31 to the consolidated financial statements.

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

Distributable Reserves of the Company

At 31 December 2019, the Company's reserves available for distribution to shareholders consisted of share premium and capital reserve, net of accumulated losses, totalling US$27,283,000.

Directors

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

Executive directors

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

Non-executive director

Mr. Kim William Pak

Independent non-executive directors

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

Further information about the Directors and other senior management members are set out from pages 44 to 48 of this report.

In accordance with article 84(1) of the Company's Articles of Association, Mr. Lee Yiu Ming, Mr. See Tak Wah and Mr. Auyang Pak Hong Bernard, will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming AGM.

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

Directors' Service Contracts

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

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

Equity-linked Agreements

Save for the share option scheme set out below, no equity-linked agreement was entered into by the Group, or existed during the year ended 31 December 2019.

Share Option Scheme

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

Eligible participants of the Share Option Scheme include the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(iii) the nominal value of the Shares.

Since the Adoption Date and up to 31 December 2019, no share option has been granted by the Company.

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

As at 31 December 2019, 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)	305,664,000 (L)	47.76%
Ms. Che Huey Sze Denise	Interest of controlled corporation (Note 4)	305,664,000 (L)	47.76%
Dr. Chan Yuk Mau Eddie ("Dr. Chan")	Beneficial owner	24,000,000 (L)	3.75%
Ms. Lee Wing Yuen Ida	Beneficial owner (Note 5)	24,000,000 (L)	3.75%
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:

1. The Letter "L" denotes the person's long position in the relevant Shares.

2. This is calculated based on the 640,000,000 Shares in issue as at 31 December 2019.

3. Lever Style Holdings is beneficially owned as to 14.0% and 86.0% by Ms. Fong Tong and Imaginative Company Limited. Imaginative Company Limited is wholly-owned by Mr. Szeto. Accordingly, Mr. Szeto, Imaginative Company Limited and Ms. Fong Tong are interested in 305,664,000 Shares.

4. Ms. Che Huey Sze Denise is the spouse of Mr. Szeto and was therefore deemed to be interested in the 305,664,000 shares held by Mr. Szeto in note 2 above.

5. Ms. Lee Wing Yuen Ida is the spouse of Dr. Chan and was therefore deemed to be interested in the 24,000,000 Shares held by Dr. Chan.

6. 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 the Shares and Underlying Shares of the Company

As at 31 December 2019, so far as is known to the Directors, the following persons (other than the Directors or chief executive of the Company), who have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company in accordance with the provision of Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein, are as follows:

Name of Director	Capacity/ Nature of interest	Number of Shares (Note 1)	Approximate percentage of shareholding in the Company (Note 2)
Imaginative Company Limited	Interest of controlled corporation (Note 3)	305,664,000 Shares (L)	47.76%
Lever Style Holdings	Beneficial owner (Note 3)	305,664,000 Shares (L)	47.76%
Fung Trinity Holdings Limited	Beneficial owner (Note 4)	92,224,000 Shares (L)	14.41%
Fung Capital Asia Fund (I) Limited	Interest of controlled corporation (Note 4)	92,224,000 Shares (L)	14.41%
Fung Capital Limited	Interest of controlled corporation (Note 4)	92,224,000 Shares (L)	14.41%
Poolside Ventures Limited	Beneficial owner (Note 5)	32,992,000 Shares (L)	5.12%

Notes:

1. The Letter "L" denotes the person's long position in the relevant Shares.

2. This is calculated based on the 640,000,000 Shares in issue as at 31 December 2019.

3. Lever Style Holdings is beneficially owned as to 14.0% and 86.0% by Ms. Fong Tong and Imaginative Company Limited respectively. Imaginative Company Limited is in turn wholly-owned by Mr. Szeto. Accordingly, Mr. Szeto, Ms. Fong Tong and Imaginative Company Limited are interested in 305,664,000 Shares for the purpose of SFO.

4. Fung Trinity Holdings Limited is wholly-owned by Fung Capital Asia Fund (I) Limited. The entire voting rights of Fung Capital Asia Fund (I) Limited is owned by Fung Capital Limited. Fung Capital Limited is wholly-owned by Fung Investments Limited which is wholly-owned by King Lun Holdings Limited, which is legally owned as to 50.0% and 50.0% by Dr. William Fung Kwok Lun and HSBC Trustee (CI) Limited respectively, being the trustee of a family trust established for the family of Dr. Victor Fung Kwok King.

5. Poolside Ventures Limited is a cornerstone investor.

Save as disclosed above, no other interest or short position in the Shares and underlying Shares of the Company were recorded in the register required to be kept under section 336 of the SFO as at 31 December 2019.

Management Contracts

Other than the Directors' service contracts, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at 31 December 2019 or at any time during the year ended 31 December 2019.

Directors' Interest in Competing Business

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

Arrangements to Purchase Shares or Debentures

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

Bank Borrowings

Particulars of the bank borrowings of the Group as at 31 December 2019 are set out in note 29 to the financial statements.

Directors' Interests in Transactions, Arrangements and Contracts of Significance

Other than as disclosed in Note 37 to the consolidated financial statements, no transactions, arrangements and contracts of significance to which the Company, its holding company or subsidiaries was a party and in which a director or a connected entity of a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Major Customers and Suppliers

For the year ended 31 December 2019, the Group's largest customer accounted for approximately 29.5% of the Group's total revenue. The five largest customers accounted for approximately 68.7% of the Group's revenue.

For the year ended 31 December 2019, the Group's largest supplier accounted for approximately 14.9% of the Group's total purchases. The five largest suppliers comprised 32.2% of the Group's total purchases.

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

Emolument Policy

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

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

Continuing Connected Transaction

The Company confirms that the related party transaction as disclosed in note 37 (Related party disclosures) to the financial statements in this report falls under the *de minimis* transactions exemption and is fully exempt under Rule 14A.76 of the Listing Rules.

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

Retirement Benefits Scheme

Details of contributions to the retirement benefits scheme of the Group are set out in Note 33 to the consolidated financial statements.

Contracts of Significance

Save as disclosed in the section headed "Continuing Connected Transaction" in this report and note 37 (Related party disclosures) to the financial statements, no contracts of significance in relation to the Company's business to which the Company, or its subsidiaries was a party and in which a Director has a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year, no contract of significance had been entered into between the Company or any of its subsidiaries and the controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries and no contract of significance for the provision of services to the Company or any of its subsidiaries by the controlling shareholder of the Company or any of its subsidiaries was entered into.

Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past four financial years is set out in the financial summary section on page 136 of this annual report.

Use of Proceeds

The net proceeds from the share offer were approximately HK$105 million and will be used as per the Group's planned use of proceeds as stated in the Prospectus. The Directors are not aware of any material change to its plan on the use of proceeds as stated in the Prospectus.

For details, please refer to the paragraph headed "Use of Proceeds" in the "Management Discussion and Analysis" section of this annual report.

Sufficiency of Public Float

The Company has maintained a sufficient public float throughout the year ended 31 December 2019.

Pre-Emptive Rights

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

Tax Relief and Exemption

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

Permitted Indemnity Provision

Pursuant to the Articles of Association, the Directors shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. The relevant provisions in the Articles of Association were in force during the year ended 31 December 2019.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 were audited by Messrs. Deloitte Touche Tohmatsu who will retire at the forthcoming Annual General Meeting and offer themselves for re-appointment. A resolution for the re-appointment of Messrs. Deloitte Touche Tohmatsu as auditor of the Company and to authorize the Directors to fix their remuneration will be proposed at the forthcoming Annual General Meeting.

On behalf of the Board
Lever Style Corporation

Szeto Chi Yan Stanley
CHAIRMAN

Hong Kong, 30 March 2020

Independent Auditor's Report

Deloitte. 德勤

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

Opinion

We have audited the consolidated financial statements of Lever Style Corporation (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 64 to 135, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matter

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

Key Audit Matter (Continued)

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
We identified impairment assessment of trade receivables as a key audit matter due to the involvement of high degree of estimation made by the management and uncertainty in the assessment of credit risks of trade receivables. As explained in the note 19 to the consolidated financial statements, the Group applied the simplified approach to provide for expected credit losses ("ECL") for trade receivables and assessed them individually for impairment allowance based on the historical credit losses experience, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate. As further disclosed in that note, the Group's trade receivables amounting to US$5,691,638, which represented approximately 9% of total assets of the Group and out of which trade receivables of US$2,036,160 were past due as at 31 December 2019. The Group has not provided for any impairment loss for these trade receivables as the management considered there has not been a significant change in credit quality and the balances of trade receivables are still considered fully recoverable due to the long term or on-going relationship and good repayment record from these customers.	Our procedures in relation to impairment assessment of trade receivables included: • Understanding key controls on how the management assesses ECL for trade receivables; • Challenging management's basis and judgment in determining ECL of trade receivables as at 31 December 2019 by checking to the external credit rating where obtained and applied by the management to the debtors, historical default record, repayment records of the debtors, length of business relationship as well as the forward-looking information such as the general economic conditions of the industry in which the debtors operate on a sample basis; • Testing subsequent settlements of trade receivables, on a sample basis, by inspecting supporting documents such as bank advices; and • Evaluating the reliability of the Group's estimates by comparing the ECL in previous year with the actual defaults occurred in the current year.

Other Information

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Tse Fung Chun.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
30 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	NOTES	**2019**	2018
		US$	US$
Revenue	6	**121,983,142**	115,885,610
Cost of sales		**(86,275,819)**	(85,625,648)
Gross profit		**35,707,323**	30,259,962
Other income	7	**291,192**	447,190
Other gains and losses	8	**(169,652)**	(162,093)
Selling and distribution expenses		**(15,930,292)**	(13,200,743)
Administrative expenses		**(10,400,839)**	(8,779,651)
Finance costs	9	**(967,703)**	(559,987)
Listing expenses		**(2,322,562)**	(286,662)
Profit before tax		**6,207,467**	7,718,016
Income tax expense	10	**(1,368,502)**	(1,254,026)
Profit for the year	11	**4,838,965**	6,463,990
Other comprehensive expense			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**(180,750)**	(504,631)
Total comprehensive income for the year		**4,658,215**	5,959,359
Earnings per share (US cents)	14		
– basic		**0.96**	1.35
– diluted		**0.96**	1.35

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	2019 US$	2018 US$
Non-current assets			
Plant and equipment	15	**1,094,765**	1,066,790
Right-of-use assets	16	**1,032,121**	945,118
Club membership	17	**752,202**	–
Deposit paid for plant and equipment		**369,976**	–
		3,249,064	2,011,908
Current assets			
Inventories	18	**13,662,775**	15,316,485
Trade and bills receivables	19	**8,126,336**	7,899,191
Trade receivables at fair value through other comprehensive income	20	**11,557,332**	6,667,185
Deposits, prepayments and other receivables	21	**11,266,268**	7,572,528
Tax reserve certificates	22	**–**	650,413
Tax recoverable		**–**	77,011
Bank balances and cash	23	**17,020,045**	3,142,593
		61,632,756	41,325,406
Current liabilities			
Trade and bills payables	24	**12,729,680**	14,241,308
Other payables and accruals	25	**2,902,262**	2,788,647
Contract liabilities	26	**297,944**	611,148
Lease liabilities	27	**639,956**	543,555
Amount due to a related company	28	**–**	727,504
Dividend payable		**–**	2,868,898
Tax payables		**1,691,243**	446,037
Bank borrowings	29	**11,692,811**	7,156,181
		29,953,896	29,383,278
Net current assets		**31,678,860**	11,942,128
Total assets less current liabilities		**34,927,924**	13,954,036

Consolidated Statement of Financial Position

At 31 December 2019

	NOTES	**2019** **US$**	2018 US$
Non-current liabilities			
Lease liabilities	27	**511,970**	391,827
Bank borrowings	29	**32,067**	63,502
Deferred tax liabilities	30	**37,958**	38,529
		581,995	493,858
		34,345,929	13,460,178
Capital and reserves			
Share capital	31	**821,799**	11,428
Reserves		**33,524,130**	13,448,750
		34,345,929	13,460,178

The consolidated financial statements on pages 64 to 135 were approved and authorised for issue by the board of directors on 30 March 2020 and are signed on its behalf by:

Lee Yiu Ming	**Szeto Chi Yan Stanley**
DIRECTOR	*DIRECTOR*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Share capital US$	Share premium US$	Merger reserve US$ (note i)	Statutory reserve US$ (note ii)	Exchange reserve US$	Retained profits US$	Total US$
At 1 January 2018	11,428	1,037,114	–	46,743	76,339	9,525,308	10,696,932
Profit for the year	–	–	–	–	–	6,463,990	6,463,990
Exchange differences arising on translation of foreign operations	–	–	–	–	(504,631)	–	(504,631)
Total comprehensive (expense) income for the year	–	–	–	–	(504,631)	6,463,990	5,959,359
Transfer to statutory reserve	–	–	–	40,998	–	(40,998)	–
Dividends recognised as distribution (note 13)	–	–	–	–	–	(3,196,113)	(3,196,113)
At 31 December 2018	11,428	1,037,114	–	87,741	(428,292)	12,752,187	13,460,178
Profit for the year	**–**	**–**	**–**	**–**	**–**	**4,838,965**	**4,838,965**
Exchange differences arising on translation of foreign operations	**–**	**–**	**–**	**–**	**(180,750)**	**–**	**(180,750)**
Total comprehensive (expense) income for the year	**–**	**–**	**–**	**–**	**(180,750)**	**4,838,965**	**4,658,215**
Transfer to statutory reserve	**–**	**–**	**–**	**82,664**	**–**	**(82,664)**	**–**
Effect of Reorganisation (note 2)	**(11,402)**	**13,307,023**	**(13,295,621)**	**–**	**–**	**–**	**–**
Capitalisation issue (note 31(v))	**616,323**	**(616,323)**	**–**	**–**	**–**	**–**	**–**
Issue of shares upon listing (note 31(vi))	**205,450**	**17,257,762**	**–**	**–**	**–**	**–**	**17,463,212**
Expenses on issue of shares	**–**	**(1,235,676)**	**–**	**–**	**–**	**–**	**(1,235,676)**
At 31 December 2019	**821,799**	**29,749,900**	**(13,295,621)**	**170,405**	**(609,042)**	**17,508,488**	**34,345,929**

Notes:

(i) The amount represents the difference between the total equity of Lever Style Inc. and its subsidiaries and the nominal value of share capital issued by the Company pursuant to the Reorganisation (as defined in note 2).

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	2019 US$	2018 US$
OPERATING ACTIVITIES		
Profit before tax	**6,207,467**	7,718,016
Adjustments for:		
Finance costs	**967,703**	559,987
Interest income	**(53,186)**	(3,229)
Depreciation of plant and equipment	**367,128**	349,831
Depreciation of right-of-use assets	**520,210**	562,758
Loss on write-off of plant and equipment	**6,542**	–
Operating cash flows before movements in working capital	**8,015,864**	9,187,363
Decrease in inventories	**1,651,484**	1,684,194
(Increase) decrease in trade and bills receivables	**(236,386)**	5,896,374
Increase in deposits, prepayments and other receivables	**(3,699,743)**	(3,632,156)
Increase in trade receivables at fair value through other comprehensive income	**(4,892,202)**	(6,667,185)
Redemption of tax reserve certificates	**649,417**	–
Decrease in trade and bills payables	**(1,568,948)**	(956,110)
Increase in other payables and accruals	**109,270**	342,712
(Decrease) increase in contract liabilities	**(313,811)**	530,069
Cash (used in) generated from operations	**(285,055)**	6,385,261
Income taxes paid	**(54,537)**	(1,444,578)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(339,592)**	4,940,683
INVESTING ACTIVITIES		
Purchase of club membership	**(752,202)**	–
Purchase of plant and equipment	**(404,382)**	(129,172)
Deposit paid for plant and equipment	**(369,976)**	–
Interest received	**53,186**	3,229
NET CASH USED IN INVESTING ACTIVITIES	**(1,473,374)**	(125,943)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	NOTE	2019 US$	2018 US$
FINANCING ACTIVITIES			
Proceeds from issue of shares upon listing		**17,463,212**	–
New bank borrowings raised	36	**14,072,919**	21,183,538
Net addition (repayment) of trust receipt loans	36	**5,744,817**	(336,268)
Repayment of bank borrowings	36	**(15,370,627)**	(21,152,126)
Dividend paid	36	**(2,868,898)**	(3,516,417)
Expenses on issue of shares		**(1,235,676)**	–
Interest paid	36	**(967,703)**	(559,987)
Repayment to related companies	36	**(734,615)**	(27,948)
Repayment of lease liabilities	36	**(377,145)**	(561,240)
Advance from related companies	36	**–**	580,433
Repayment to a director	36	**–**	(95,020)
NET CASH FROM (USED IN) FINANCING ACTIVITIES		**15,726,284**	(4,485,035)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**13,913,318**	329,705
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**3,142,593**	2,902,613
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(35,866)**	(89,725)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, represented by bank balances and cash		**17,020,045**	3,142,593

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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, 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 Company is an investment holding company. The principal activities of its subsidiaries are set out in note 38.

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.

2. Reorganisation and basis of preparation and presentation of the consolidated financial statements (Continued)

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, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended 31 December 2019 and 2018, 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 year ended 31 December 2019 and 2018, or since the respective date of incorporation of the relevant entity where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2018 has been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at that date, taking into account the respective date of incorporation of the relevant entity, where applicable.

3. Application of Hong Kong Financial Reporting Standards ("HKFRSs")

For the purpose of preparing and presenting the consolidated financial statements for the year ended 31 December 2019, 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 2019 for both current and prior years.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts[1]
Amendments to HKFRS 3	Definition of a Business[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1 and HKAS 8	Definition of Material[4]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021.
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 January 2020.

In addition to the above new and amendments to HKFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the "Amendments to References to the Conceptual Framework in HKFRS Standards", will be effective for annual periods beginning on or after 1 January 2020.

3. Application of Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

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

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

Amendments to HKAS 1 and HKAS 8 "Definition of Material"

The amendments provide refinements to the definition of material by including additional guidance and explanations in making materiality judgments. In particular, the amendments:

- include the concept of "obscuring" material information in which the effect is similar to omitting or misstating the information;
- replace threshold for materiality influencing users from "could influence" to "could reasonably be expected to influence"; and
- include the use of the phrase "primary users" rather than simply referring to "users" which was considered too broad when deciding what information to disclose in the financial statements.

The amendments also align the definition across all HKFRSs and will be mandatorily effective for the Group's annual period beginning on 1 January 2020. The application of the amendments is not expected to have significant impact on the financial position and performance of the Group but may affect the presentation and disclosures in the consolidated financial statements.

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards

The New Framework:

- reintroduces the terms stewardship and prudence;
- introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument;
- discusses historical cost and current value measures, and provides additional guidance on how to select a measurement basis for a particular asset or liability;
- states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances other comprehensive income will be used and only for income or expenses that arise from a change in the current value of an asset or liability; and

3. Application of Hong Kong Financial Reporting Standards ("HKFRSs") (Continued)

Conceptual Framework for Financial Reporting 2018 (the "New Framework") and the Amendments to References to the Conceptual Framework in HKFRS Standards (Continued)

- discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements.

Consequential amendments have been made so that references in certain HKFRSs have been updated to the New Framework, whilst some HKFRSs are still referred to the previous versions of the framework. These amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application permitted. Other than specific standards which still refer to the previous versions of the framework, the Group will rely on the New Framework on its effective date in determining the accounting policies especially for transactions, events or conditions that are not otherwise dealt with under the accounting standards.

4. Significant accounting policies

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of the reporting period, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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

4. Significant accounting policies (Continued)

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

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

The principal accounting policies are set out below.

Basis of consolidation

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

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

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

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

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

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

4. Significant accounting policies (Continued)

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Revenue from contracts with customers

Revenue is recognised to depict the transfer of promised goods or services to customer in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. Specifically, the Group uses a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

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

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

4. Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

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

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

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9 "Financial Instruments" ("HKFRS 9"). In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

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

4. Significant accounting policies (Continued)

Revenue from contracts with customers (Continued)

Principal versus agent

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

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

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Sales of goods

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

4. Significant accounting policies (Continued)

Leases

Definition of a lease

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

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

The Group as a lessee

Allocation of consideration to components of a contract

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

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

Short-term leases and leases of low-value assets

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

4. Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

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

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

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

Refundable rental deposits

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

4. Significant accounting policies (Continued)

Leases (Continued)

The Group as a lessee (Continued)

Lease liabilities

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

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

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

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

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

Lease modifications

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

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

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

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

4. Significant accounting policies (Continued)

Foreign currencies

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

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

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

Borrowing costs

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

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

Retirement benefits costs

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

Short-term employee benefits

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

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

4. Significant accounting policies (Continued)

Share-based payments

Equity-settled share-based payment transactions

Share options granted to employees

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

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

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

Taxation

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

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

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

4. Significant accounting policies (Continued)

Taxation (Continued)

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

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

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

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

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

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

Current and deferred tax are recognised in profit or loss.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant taxation authority will accept the uncertain tax treatment used, or proposed to be used by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

4. Significant accounting policies (Continued)

Plant and equipment

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

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

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

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

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

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

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

4. Significant accounting policies (Continued)

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a weighted average cost method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

4. Significant accounting policies (Continued)

Financial instruments

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

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

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

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

4. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

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

(i) Amortised cost and interest income

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

(ii) Receivables classified as at FVTOCI

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

4. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

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

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

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

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

(i) Significant increase in credit risk

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

4. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(i) Significant increase in credit risk (Continued)

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

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

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

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

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

4. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(ii) Definition of default

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

(iii) Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

4. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

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

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

4. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition of financial assets

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

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

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

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

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

4. Significant accounting policies (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Classification as debt or equity (Continued)

Financial liabilities at amortised cost

Financial liabilities including trade and bills payables, other payables, amount due to a related company, dividend payable and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

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

Club membership

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

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

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

5. Critical accounting judgment and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 4, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgments in applying accounting policies

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

Principal versus agent consideration (principal)

The Group engages in trading of garment. Upon application of HKFRS 15, the Group reassessed whether the Group should continue to recognise revenue on gross basis based on the requirements in HKFRS 15. The Group concluded that the Group acts as the principal for such transactions as it controls the specified good before it is transferred to the customer after taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the goods and the Group has inventory risk.

Key sources of estimation uncertainty

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

Estimated impairment of trade receivables

The management estimates the amount of loss allowance of trade receivables based on the historical credit loss experience, adjusted for factors that are specified to the debtors and general economic conditions of the industry in which the debtors operate. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The assessment of credit risk of trade receivables involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may adjust in the year of revision accordingly. As at 31 December 2019, the carrying amount of trade receivables is US$5,691,638 (2018: US$4,004,060). Details are disclosed in note 19.

5. Critical accounting judgment and key sources of estimation uncertainty (Continued)

Key sources of estimation uncertainty (Continued)

Assessment of net realisable value of inventories

Inventories are stated at the lower of cost and net realisable values. The management is required to exercise judgment in identifying slow-moving and obsolete inventories and determine the write-down of inventories based on the latest selling price and market conditions at the end of the year. The identification of slow-moving and obsolete inventories is based on the aged analysis of inventories and recent or subsequent usage/sales. When the actual net realisable values are lower than expectation, such difference will impact the carrying amounts of inventories. As at 31 December 2019, the carrying amount of inventories is US$13,662,775 (2018: US$15,316,485).

6. 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:

	2019 **US$**	2018 US$
Shirts	**51,263,627**	53,011,929
Bottoms	**30,681,415**	27,975,752
Suit	**20,059,311**	20,030,184
Outerwear	**13,698,288**	11,132,728
Others	**6,280,501**	3,735,017
Total	**121,983,142**	115,885,610

6. 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.

	2019 US$	2018 US$
United States of America	**86,988,775**	79,562,671
Greater China#	**9,939,573**	13,302,192
Europe	**17,067,108**	16,277,991
Others	**7,987,686**	6,742,756
	121,983,142	115,885,610

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:

	2019 US$	2018 US$
Customer A	**35,980,954**	38,869,677
Customer B	**N/A (Note)**	13,969,914
Customer C	**18,112,371**	N/A (Note)

Note: The corresponding revenue did not contribute over 10% of the total revenue of the Group for the respective year.

7. Other income

	2019 US$	2018 US$
Claims received	**223,333**	400,333
Interests on bank deposits	**53,186**	3,229
Others	**14,673**	43,628
	291,192	447,190

8. Other gains and losses

	2019 US$	2018 US$
Loss on write-off of plant and equipment	**(6,542)**	–
Net exchange loss	**(163,110)**	(135,939)
Others	**–**	(26,154)
	(169,652)	(162,093)

9. Finance costs

	2019 US$	2018 US$
Interest on bank borrowings	**728,834**	481,075
Interest expense on lease liabilities	**238,869**	78,912
	967,703	559,987

10. Income tax expense

	2019 US$	2018 US$
Hong Kong Profits Tax:		
– Current tax	**1,175,082**	1,224,867
– Overprovision in prior years	**(1,596)**	(23,256)
– One-off tax reduction of profits tax by the Inland Revenue Department ("IRD")	**(7,659)**	(11,482)
	1,165,827	1,190,129
PRC Enterprise Income Tax ("EIT")		
– current tax	**203,411**	68,300
Deferred tax (Note 30)	**(736)**	(4,403)
	1,368,502	1,254,026

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 year 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 years.

10. Income tax expense (Continued)

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

	2019 US$	2018 US$
Profit before tax	**6,207,467**	7,718,016
Tax at Hong Kong Profits Tax rate of 16.5%	**1,024,232**	1,273,473
Tax effect of income not taxable for tax purposes	**(20,729)**	(4,144)
Tax effect of expenses not deductible for tax purposes	**424,181**	38,139
Tax effect of tax loss not recognised	**–**	14,002
Tax effect of utilisation of tax loss not recognised	**(86,394)**	–
Effect of different tax rate of subsidiaries operating in other jurisdiction	**57,529**	(11,655)
Overprovision in prior years	**(1,596)**	(23,256)
One-off tax reduction of profits tax by the IRD	**(7,659)**	(11,482)
Tax concession	**(21,062)**	(21,051)
Taxation for the year	**1,368,502**	1,254,026

11. Profit for the year

	2019 US$	2018 US$
Profit for the year has been arrived at after charging:		
Directors' remuneration (Note 12a)	**1,974,671**	1,589,807
Other staff costs		
– salaries and other allowances	**8,465,159**	7,457,107
– retirement benefit scheme contributions	**930,063**	640,410
Total staff costs	**11,369,893**	9,687,324
Auditor's remuneration	**306,115**	91,016
Cost of inventories as an expense	**86,275,819**	85,625,648
Depreciation of plant and equipment	**367,128**	349,831
Depreciation of right-of-use assets	**520,210**	562,758
Expense relating to short-term leases	**198,480**	129,282

12. Directors', chief executive's and employees' emoluments

a. Directors' and Chief Executive's Emoluments

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

	Directors' fee US$	Salaries and other allowances US$	Performance related bonus US$	Retirement benefit scheme contributions US$	Total US$
Year ended 31 December 2019					
Executive directors:					
Mr. Szeto	**–**	**354,863**	**424,741**	**3,064**	**782,668**
Dr. Chan	**–**	**342,099**	**353,951**	**2,298**	**698,348**
Mr. Lee	**–**	**264,488**	**212,370**	**2,298**	**479,156**
Non-executive director:					
Mr. Kim William Pak*	**2,500**	**–**	**–**	**–**	**2,500**
Independent non-executive directors:					
Mr. See Tak Wah#	**5,333**	**–**	**–**	**–**	**5,333**
Mr. Auyang Pak Hong Bernard#	**3,333**	**–**	**–**	**–**	**3,333**
Mr. Lee Shing Tung Tommy#	**3,333**	**–**	**–**	**–**	**3,333**
Total	**14,499**	**961,450**	**991,062**	**7,660**	**1,974,671**
Year ended 31 December 2018					
Executive directors:					
Mr. Szeto	–	329,157	295,544	3,062	627,763
Dr. Chan	–	321,502	246,286	2,296	570,084
Mr. Lee	–	241,892	147,772	2,296	391,960
Total	–	892,551	689,602	7,654	1,589,807

* Appointed on 13 March 2019.

\# Appointed on 12 October 2019.

12. Directors', chief executive's and employees' emoluments (Continued)

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

Mr. Szeto is also the chief executive of the Company.

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

The non-executive director's emoluments shown above was mainly for his services as director of the Group.

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

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to any of the directors or the chief executive as an inducement to join or upon joining the Group or as compensation for loss of office.

None of the directors or the chief executive of the Company waived or agreed to waive any emoluments during the years ended 31 December 2019 and 2018.

b. Employees' Emoluments

The five highest paid individuals of the Group include three (2018: three) directors of the Company, whose remuneration are set out in Note 12a above. The emoluments of the remaining two (2018: two) employees are as follows:

	2019 **US$**	2018 US$
Salaries and other allowances	**260,914**	252,647
Performance related bonus	**131,732**	43,808
Retirement benefit scheme contributions	**5,362**	13,589
	398,008	310,044

12. Directors', chief executive's and employees' emoluments (Continued)

b. Employees' Emoluments (Continued)

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

	Number of employees	
	2019	2018
HK$1,000,001 to HK$1,500,000	**1**	2
HK$1,500,001 to HK$2,000,000	**1**	–

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

During the years ended 31 December 2019 and 2018, no emoluments were paid by the Group to any of the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

13. Dividends

During the year ended 31 December 2018, the group entities comprising the Group declared a dividend of HK$25,000,000 (equivalent to US$3,196,113) to its shareholders.

A final dividend of HK4 cents (2018: nil) per ordinary share in total of approximately HK$25,600,000 (equivalent to approximately US$3,287,000), in respect of the year ended 31 December 2019 has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

14. 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:

	2019	2018
	US$	US$
Earnings:		
Profit for the year for the purposes of calculating basic and diluted earnings per share	**4,838,965**	6,463,990
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**501,479,452**	480,000,000

The weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share for the years ended 31 December 2019 and 2018 has taken into account the shares issued pursuant to the Reorganisation as set out in note 2 and the capitalisation issue as set out in note 31(v).

The computation of diluted earnings per share for the year ended 31 December 2019 does 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.

15. Plant and equipment

	Leasehold improvements US$	Furniture, fixtures and equipment US$	Computer equipment US$	Motor vehicles US$	Total US$
COST					
At 1 January 2018	747,132	117,926	819,530	387,867	2,072,455
Additions	–	9,859	119,313	–	129,172
Exchange adjustments	(36,194)	(4,078)	(16,585)	(248)	(57,105)
At 31 December 2018	710,938	123,707	922,258	387,619	2,144,522
Additions	126,417	57,321	208,134	12,510	404,382
Write-off	–	(169)	(12,688)	(45,315)	(58,172)
Exchange adjustments	(5,230)	(920)	(583)	1,507	(5,226)
At 31 December 2019	832,125	179,939	1,117,121	356,321	2,485,506
DEPRECIATION					
At 1 January 2018	230,611	45,734	390,928	85,370	752,643
Provided for the year	149,648	13,548	111,950	74,685	349,831
Exchange adjustments	(18,632)	(811)	(5,399)	100	(24,742)
At 31 December 2018	361,627	58,471	497,479	160,155	1,077,732
Provided for the year	149,898	15,401	128,419	73,410	367,128
Eliminated on write-off	–	(169)	(12,529)	(38,932)	(51,630)
Exchange adjustments	(3,895)	(94)	594	906	(2,489)
At 31 December 2019	507,630	73,609	613,963	195,539	1,390,741
CARRYING VALUES					
At 31 December 2019	324,495	106,330	503,158	160,782	1,094,765
At 31 December 2018	349,311	65,236	424,779	227,464	1,066,790

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

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

As at 31 December 2019, the Group has pledged motor vehicles with a carrying value of US$51,457 (2018: US$84,113) to secure bank loans granted to the Group.

16. Right-of-use assets

	Leased properties US$
COST	
At 1 January 2018	2,685,521
Additions	49,987
Exchange adjustments	(124,701)
At 31 December 2018	2,610,807
Additions	613,102
Expiration of lease contract	(110,467)
Exchange adjustments	(20,516)
At 31 December 2019	3,092,926
DEPRECIATION	
At 1 January 2018	1,182,170
Provided for the year	562,758
Exchange adjustments	(79,239)
At 31 December 2018	1,665,689
Provided for the year	520,210
Expiration of lease contract	(110,467)
Exchange adjustments	(14,627)
At 31 December 2019	2,060,805
CARRYING VALUES	
At 31 December 2019	1,032,121
At 31 December 2018	945,118

The total cash outflows for leases for the year ended 31 December 2019 was US$814,494 (2018: US$769,434).

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

16. Right-of-use assets (Continued)

Restrictions or covenants on leases

In addition, lease liabilities of US$1,151,926 (2018: US$935,382) are recognised with related right-of-use assets of US$1,032,121 (2018: US$945,118) at 31 December 2019. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

Details of the lease maturity analysis of lease liabilities are set out in note 27.

17. Club membership

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

18. Inventories

	2019 **US$**	2018 US$
Raw materials	**2,042,287**	980,800
Work in progress	**11,139,885**	13,819,286
Finished goods	**480,603**	516,399
	13,662,775	15,316,485

19. Trade and bills receivables

	2019 **US$**	2018 US$
Trade receivables	**5,691,638**	4,004,060
Bills receivables	**1,139,360**	1,975,598
Bills receivables discounted with recourse	**1,295,338**	1,919,533
	8,126,336	7,899,191

19. Trade and bills receivables (Continued)

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

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

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

	2019	2018
	US$	US$
0 to 30 days	**3,408,229**	2,361,122
31 to 60 days	**1,215,925**	1,162,445
Over 60 days	**1,067,484**	480,493
	5,691,638	4,004,060

No credit period is offered for sales to be settled by bills and they carry interest at market rates. The average aging of bills receivables based on the maturity date is 30 days to 60 days. The management believes that no impairment allowance on bills receivables is necessary as there is no significant change in credit quality and the balance are still considered fully recoverable. All bills received by the Group are with a maturity period of less than one year. Other than bills received, the Group does not hold any collateral over these balances.

Management closely monitors the credit quality of trade and bills receivables and considers the trade and bills receivables that are neither past due nor impaired have good credit quality with reference to their repayment history.

As at 31 December 2019, included in the Group's trade receivables balances are receivables with aggregate carrying amount of US$2,036,160 (2018: US$921,348), which are past due at the end of the reporting period for which the Group has not provided for impairment loss as the Group considered there has not been a significant change in credit quality and the balances are still considered fully recoverable due to the long term/on-going relationship and good repayment record from these customers. The Group does not hold any collateral over these balances.

19. Trade and bills receivables (Continued)

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

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

Trade and bills receivables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2019 **US$**	2018 US$
HK$	**597,873**	507,706
Renminbi ("RMB")	**188,303**	267,851

Details of impairment assessment of trade and bills receivables are set out in note 35.

Transfer of financial assets

The followings were the Group's financial assets at the end of the reporting period that were transferred to a bank by discounting those receivables on a recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amount of the receivables and has recognised the cash received on the transfer as a secured bank borrowings (see note 29). These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

	2019 **US$**	2018 US$
Carrying amount of bills receivables discounted	**1,295,338**	1,919,533
Carrying amount of associated liabilities	**(1,295,338)**	(1,919,533)
Net position	**–**	–

20. 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. During the year ended 31 December 2019, the Group factored trade receivables amounting to approximately US$77,264,000 (2018: US$78,522,000) to banks on a non-recourse basis.

At 31 December 2019, the effective interest rates of the factoring trade receivables at FVTOCI ranged from 3.33% to 4.9% (2018: 3.35% to 4.57%) per annum. Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in note 35(c).

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

	2019 **US$**	2018 US$
0 to 30 days	**6,904,968**	6,500,975
31 to 60 days	**4,509,242**	12,388
Over 60 days	**143,122**	153,822
	11,557,332	6,667,185

Details of impairment assessment of trade receivables at FVTOCI are set out in note 35.

21. Deposits, prepayments and other receivables

	2019 **US$**	2018 US$
Current portion		
Deposits	**174,386**	127,927
Prepayments to suppliers	**10,834,334**	6,996,011
Other receivables	**257,548**	350,215
Deferred listing expenses	**–**	98,375
	11,266,268	7,572,528

22. Tax reserve certificates

In 2013, the IRD had initiated a tax audit on Lever Shirt Limited ("Lever Shirt") for the year of assessment 2011/12. In 2013, 2014, 2015, 2016 and 2017, the IRD issued notices of tax assessment for additional tax in an aggregate sum of HK$1,225,000 (equivalent to US$158,005) for the year of assessment 2006/07, HK$1,367,533 (equivalent to US$176,440) for 2007/08, HK$4,919,102 (equivalent to US$634,633) for 2008/09, HK$4,950,000 (equivalent to US$638,133) for 2009/10 and HK$4,950,000 (equivalent to US$633,235) for 2010/11 in respect of profits tax assessable income. The IRD agreed to hold over the additional tax subject to the purchase of tax reserve certificates of HK$1,225,000 (equivalent to US$158,005), HK$1,367,533 (equivalent to US$176,440), HK$1,400,000 (equivalent to US$180,620), HK$450,000 (equivalent to US$57,980) and HK$500,000 (equivalent to US$64,189) respectively. As such, for the years of assessment 2006/07, 2007/08, 2008/09, 2009/10 and 2010/11, Lever Shirt purchased tax reserve certificates of HK$1,225,000 (equivalent to US$158,005), HK$1,367,533 (equivalent to US$176,440), HK$1,400,000 (equivalent to US$180,620), HK$450,000 (equivalent to US$57,980) and HK$500,000 (equivalent to US$64,189) in May 2013, May 2014, May 2015, May 2016 and May 2017, respectively.

In 2013, the IRD had initiated a tax audit on Levertex Company Limited ("Levertex") for the year of assessment 2011/12. In 2013, 2014 and 2016, IRD issued notices of tax assessment for additional tax in an aggregate sum of HK$62,500 (equivalent to US$8,064) for the year of assessment 2007/08, HK$82,500 (equivalent to US$10,644) for 2008/09, HK$115,206 (equivalent to US$14,852) for 2009/10 in respect of profits tax assessable income. The IRD agreed to hold over the additional tax subject to the purchase of tax reserve certificates of HK$62,500 (equivalent to US$8,064) and HK$82,500 (equivalent to US$10,644) respectively. As such, for the years of assessment 2007/08 and 2008/09, Levertex purchased tax reserve certificates of HK$62,500 (equivalent to US$8,064) and HK$82,500 (equivalent to US$10,644) in May 2014 and May 2015, respectively.

During the year ended 31 December 2019, the IRD issued revised tax assessments to Lever Shirt for the years of assessment 2006/07, 2007/08, 2008/09, 2009/10, 2010/11 and 2011/12 and Levertex for the years of assessment 2007/08, 2008/09, 2009/10, 2010/11 and 2011/12, and no additional tax are required. All the tax reserve certificates purchased by Lever Shirt and Levertex have been redeemed in May 2019.

23. Bank balances and cash

Bank balances carry interest at market interest rates of 0.001% to 2.55% (2018: 0.001% to 0.01%) per annum at 31 December 2019.

Bank balances and cash denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2019 **US$**	2018 US$
HK$	**14,934,736**	594,543
Euro ("EUR")	**193**	197
RMB	**120,723**	35,737

Details of impairment assessment of bank balances are set out in note 35.

24. Trade and bills payables

	2019 **US$**	2018 US$
Trade payables	**12,625,565**	13,613,396
Bills payables	**104,115**	627,912
	12,729,680	14,241,308

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

24. Trade and bills payables (Continued)

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

	2019 **US$**	2018 US$
0 to 30 days	**11,291,890**	12,536,072
31 to 60 days	**627,858**	950,775
Over 60 days	**705,817**	126,549
	12,625,565	13,613,396

Trade and bills payables denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2019 **US$**	2018 US$
HK$	**747,840**	4,249,347
RMB	**162,731**	1,023,883
EUR	**78,696**	208,402
Japanese Yen ("JPY")	**916**	14,280
Great British Pound ("GBP")	**15,237**	17,376

25. Other payables and accruals

	2019 **US$**	2018 US$
Other payables (note)	**362,876**	620,311
Accrued staff costs	**1,230,785**	1,791,463
Other accruals	**997,644**	214,025
Accrued listing expenses	**310,957**	162,848
	2,902,262	2,788,647

Note: Included in other payables is an amount of US$249,750 (2018: nil) being the consideration received on behalf of a shareholder on disposal of certain capitalisation shares of the Company during the year. Such amount has been fully settled subsequent to the end of the reporting period.

26. Contract liabilities

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

Movements in contract liabilities:

	2019 US$	2018 US$
At the beginning of the year	**611,148**	80,034
Receipts from customers	**275,226**	609,694
Revenue recognised upon delivery of goods*	**(610,212)**	(79,626)
Effect of foreign exchange rate changes	**21,782**	1,046
At the end of the year	**297,944**	611,148

* The revenue recognised upon delivery of goods that was included in the contract liabilities balance at the beginning of the year is US$610,212 (2018: US$79,626) for the year ended 31 December 2019.

27. Lease liabilities

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

	2019 US$	2018 US$
Analysed for reporting purposes as:		
Current liabilities	**639,956**	543,555
Non-current liabilities	**511,970**	391,827
	1,151,926	935,382

27. Lease liabilities (Continued)

	2019 US$	2018 US$
Lease liabilities payable:		
Within one year	**655,407**	654,057
More than one year, but not exceeding two years	**155,797**	490,988
More than two years	**440,138**	1,465
	1,251,342	1,146,510
Less: future finance charges	**(99,416)**	(211,128)
Lease liabilities	**1,151,926**	935,382
Less: Amounts due for settlement within 12 months (shown under current liabilities)	**(639,956)**	(543,555)
Amounts due for settlement after 12 months shown under non-current liabilities	**511,970**	391,827

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

Lease obligations that are denominated in currency other than the functional currency of the relevant group entities are set out below:

	2019 US$	2018 US$
HK$	**18,548**	32,931

28. Amount due to a related company

	2019 US$	2018 US$
Hui Zhou Bo Kang Hua Enterprises Co. Ltd.*	**–**	727,504

* The related company is controlled by Mr. Szeto.

The amount was non-trade nature, unsecured, interest-free and repayable on demand.

29. Bank borrowings

	2019 US$	2018 US$
Variable rate bank borrowings denominated in		
HK$ comprise:		
Bank loans	**1,359,118**	2,652,876
Trust receipt loans	**798,556**	1,514,149
	2,157,674	4,167,025
US$ comprise:		
Trust receipt loans	**9,567,204**	3,052,658
	11,724,878	7,219,683
Analysed as:		
Secured (Note)	**1,359,118**	2,013,653
Unsecured	**10,365,760**	5,206,030
	11,724,878	7,219,683

Note: The bank loans were secured by motor vehicles and bills receivables as set out in notes 15 and 19, respectively.

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29. Bank borrowings (Continued)

The bank borrowings carry interest at a premium over Hong Kong Interbank Offered Rate or a premium over London Interbank Offered Rate. The effective interest rates on bank borrowings ranges from 1.59% to 5.57% (2018: 1.59% to 4.32%) per annum.

	2019	2018
	US$	US$
Carrying amounts of bank borrowings based on scheduled repayment dates set out in the loan agreements:		
Within one year	**31,713**	30,617
More than one year, but not exceeding two years	**27,592**	31,575
More than two years, but not exceeding five years	**4,475**	31,927
Carrying amount of bank borrowings that contain a repayment on demand clause (shown under current liabilities) with scheduled repayment dates set out in the loan agreements:		
Within one year	**11,661,098**	7,125,564
	11,724,878	7,219,683
Less: Amounts shown under current liabilities	**(11,692,811)**	(7,156,181)
Amounts shown under non-current liabilities	**32,067**	63,502

30. Deferred taxation

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

	Accelerated tax depreciation US$
At 1 January 2018	42,969
Credited to profit or loss (Note 10)	(4,403)
Exchange differences	(37)
At 31 December 2018	38,529
Credited to profit or loss (Note 10)	(736)
Exchange differences	165
At 31 December 2019	37,958

As at 31 December 2018, the Group has unused tax losses of US$373,000 available for offset against future profits. No deferred tax asset has been recognised on the tax losses due to the unpredictability of future profit streams. As at 31 December 2019, all tax losses have been utilised during the year.

Under the EIT Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to retained profits of the PRC subsidiaries amounting to approximately US$1,336,000 (2018: US$783,000) for the year ended 31 December 2019 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

31. Share capital

For the purpose of presenting the consolidated financial statements, the share capital of the Group as at 1 January 2018 and 31 December 2018 represented the issued share capital of Lever Style Inc.

The issued share capital of the Group as at 31 December 2019 represented the share capital of the Company. Details of movements of authorised and issued share capital of the Company are as follows:

	NOTES	Number of shares	Amount
			HK$
Ordinary shares of HK$0.01 each			
Authorised			
At 27 February 2019 (date of incorporation)	(i)	38,000,000	380,000
Increased during the year	(ii)	962,000,000	9,620,000
At 31 December 2019		1,000,000,000	10,000,000
Issued and fully paid			
At 27 February 2019 (date of incorporation)	(iii)	10,000	100
Issue of shares at par for the Reorganisation	(iv)	10,000	100
Capitalisation issue	(v)	479,980,000	4,799,800
Issue of shares upon listing	(vi)	160,000,000	1,600,000
At 31 December 2019		640,000,000	6,400,000
			US$
Shown in the consolidated financial statements as			821,799

31. Share capital (Continued)

Notes:

(i) On 27 February 2019, the Company was incorporated in the Cayman Islands with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each.

(ii) On 12 October 2019, the shareholders of the Company passed a written resolution pursuant to which the authorised share capital of the Company was increased from HK$380,000 to HK$10,000,000 divided into 1,000,000,000 ordinary shares of HK$0.01 each by the creation of an additional 962,000,000 ordinary shares of HK$0.01 each.

(iii) 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.

(iv) On 8 April 2019, pursuant to the Reorganisation, all shares held by Lever Style Holdings, Fung Trinity, Mr. Yuen, Mr. Anderson, Ms. Enomoto, Dr. Chan and Mr. Lee in Lever Style Inc. were transferred to the Company in consideration of the Company issuing and allotting 6,368 shares, 2,188 shares, 443 shares, 66 shares, 135 shares, 500 shares and 300 shares to Lever Style Holdings, Fung Trinity, Mr. Yuen, Mr. Anderson, Ms. Enomoto, Dr. Chan and Mr. Lee, respectively, credited as fully paid.

(v) On 12 October 2019, the shareholders of the Company passed a written resolution pursuant to which the directors of the Company were authorised to allot and issue a total of 479,980,000 ordinary shares to the existing shareholders, credited as fully paid at par by way of capitalisation of the sum of HK$4,799,800 (equivalent to approximately US$616,323) standing to the credit of the share premium account of the Company.

(vi) On 13 November 2019, the shares of the Company were listed on the Stock Exchange. The Company allotted and issued 160,000,000 new ordinary shares at an offer price of HK$0.85 each through global offering.

The new shares rank pari passu with the then existing shares in all respects.

32. Pledge of assets

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

	2019	2018
	US$	US$
Motor vehicles	**51,457**	84,113
Bills receivables	**1,295,338**	1,919,533
	1,346,795	2,003,646

33. Retirement benefits plans

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

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

The total expenses recognised in profit or loss of US$937,723 (2018: US$648,064) for the year ended 31 December 2019, represent contributions payable to these plans by the Group at rates specified in the rules of the plans.

34. Capital risk management

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

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

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

35. Financial instruments

a. Categories of financial instruments

	2019 **US$**	2018 US$
Financial assets		
Financial assets at FVTOCI	**11,557,332**	6,667,185
Financial assets at amortised cost	**25,568,063**	11,491,704
	37,125,395	18,158,889
Financial liabilities		
Amortised cost	**24,817,434**	25,677,704

35. Financial instruments (Continued)

b. Financial risk management objectives and policies

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

Market risk

Currency risk

The Group has monetary assets and liabilities that are denominated in foreign currencies. The Group currently does not have a foreign currency hedging policy. However, the management of the Group closely monitors foreign exchange exposure to ensure appropriate measures are implemented on a timely and effective manner.

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

	Assets		**Liabilities**	
	2019 US$	2018 US$	**2019 US$**	2018 US$
HK$	**15,582,158**	1,108,116	**3,242,291**	11,285,270
EUR	**193**	197	**78,696**	208,402
GBP	**–**	–	**15,237**	17,376
JPY	**–**	–	**916**	14,280
RMB	**309,026**	303,588	**162,731**	1,023,883

Sensitivity analysis

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

35. Financial instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Market risk (Continued)

Currency risk (Continued)

Sensitivity analysis (Continued)

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

	2019 **US$**	2018 US$
RMB	**6,108**	(30,072)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to lease liabilities (see Note 27). The Group is exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 23) and bank borrowings (see Note 29). The Group currently does not have an interest rate hedging policy. However, the management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

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

35. Financial instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

The credit risk on bills receivables is limited because the counterparties are banks with high credit rating assigned by international credit-rating agencies.

The credit risk on trade receivables at FVTOCI is limited because the Group has the practice of factoring those trade receivables to financial institution on a non-recourse basis before the receivables are due for repayment.

The credit risk on bank balances is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

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

35. Financial instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

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

The estimated loss rates are estimated based on historical observed default rates over the expected lives of the debtors and are adjusted for forward-looking information, including but not limited to general economic conditions of the industry in which the debtors operate, that available without undue cost or effort. The directors of the Company are of the opinion that the loss allowance of the Group's financial assets that subject to impairment under ECL model are insignificant, accordingly, the Group has not provided for impairment loss for both years.

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

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

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

35. Financial instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

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

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

	NOTES	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount	
				2019	2018
				US$	US$
Trade receivables	19	Performing	Lifetime ECL – not credit-impaired	**5,691,638**	4,004,060
Trade receivables at FVTOCI	20	Performing	Lifetime ECL – not credit-impaired	**11,557,332**	6,667,185
Bills receivables	19	Performing	12m ECL	**1,139,360**	1,975,598
Bills receivables discounted with recourse	19	Performing	12m ECL	**1,295,338**	1,919,533
Deposits and other receivables	21	Performing	12m ECL	**421,682**	449,920
Bank balances	23	Performing	12m ECL	**17,005,322**	3,139,538

Liquidity risk

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

35. Financial instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

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

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

Liquidity tables

	Weighted average effective interest rate	On demand or less than 1 month	1 – 3 months	3 months to 1 year	1 – 5 years	Total undiscounted cash flows	Carrying amount
	%	US$	US$	US$	US$	US$	US$
As at 31 December 2019							
Trade and bills payables	**–**	**2,548,400**	**10,181,280**	**–**	**–**	**12,729,680**	**12,729,680**
Other payables	**–**	**362,876**	**–**	**–**	**–**	**362,876**	**362,876**
Bank borrowings	**2.32**	**11,663,862**	**7,029**	**23,386**	**32,612**	**11,726,889**	**11,724,878**
Lease liabilities	**5.50**	**67,895**	**135,790**	**451,722**	**595,935**	**1,251,342**	**1,151,926**
		14,643,033	**10,324,099**	**475,108**	**628,547**	**26,070,787**	**25,969,360**
As at 31 December 2018							
Trade and bills payables	–	3,155,613	11,085,695	–	–	14,241,308	14,241,308
Other payables	–	620,311	–	–	–	620,311	620,311
Dividend payable	–	2,868,898	–	–	–	2,868,898	2,868,898
Amount due to a related company	–	727,504	–	–	–	727,504	727,504
Bank borrowings	3.01	7,128,316	5,506	24,776	65,504	7,224,102	7,219,683
Lease liabilities	5.50	52,775	105,550	495,732	492,453	1,146,510	935,382
		14,553,417	11,196,751	520,508	557,957	26,828,633	26,613,086

35. Financial instruments (Continued)

b. Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

Bank borrowings with a repayment on demand clause are included in the "on demand or less than 1 month" time band in the above maturity analysis. As at 31 December 2019, the aggregate carrying amounts of these bank borrowings amounted to US$11,661,098 (2018: US$7,125,564). As at 31 December 2019, taking into account the Group's financial position, the directors do not believe that it is probable that the banks will exercise their discretionary rights to demand immediate repayment. The directors of the Company believe that such bank borrowings will be repaid after the end of the reporting period in accordance with the scheduled repayment dates set out in the loan agreements, details of which are set out in the table below:

	Maturity Analysis – Bank borrowings with a repayment on demand clause based on scheduled repayments		
	Less than 1 year	**Total undiscounted cash outflows**	**Carrying amount**
	US$	US$	US$
31 December 2019	**11,813,039**	**11,813,039**	**11,661,098**
31 December 2018	7,398,987	7,398,987	7,125,564

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

35. Financial instruments (Continued)

c. Fair value measurements of financial instruments

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

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

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

	Fair value hierarchy at 31 December 2019		Fair value hierarchy at 31 December 2018		**Valuation techniques and key inputs**
	Level 2 US$	**Total US$**	Level 2 US$	Total US$	
Financial assets					
Trade receivables at FVTOCI	**11,557,332**	**11,557,332**	6,667,185	6,667,185	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.

36. Reconciliation of liabilities arising from financing activities

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

	Lease liabilities	Bank borrowings	Amount due to a director	Amounts due to related companies	Dividend payable	Total
	US$	US$	US$	US$	US$	US$
At 1 January 2018	1,491,706	7,529,984	95,358	173,980	3,525,945	12,816,973
Foreign exchange translation	(45,071)	(5,445)	(338)	1,039	(9,319)	(59,134)
Financing cash flows	(640,152)	(785,931)	(95,020)	552,485	(3,516,417)	(4,485,035)
Interest expenses	78,912	481,075	–	–	–	559,987
New leases	49,987	–	–	–	–	49,987
Dividend recognised as distribution (note 13)	–	–	–	–	3,196,113	3,196,113
Other change (note)	–	–	–	–	(327,424)	(327,424)
At 31 December 2018	935,382	7,219,683	–	727,504	2,868,898	11,751,467
Foreign exchange translation	(19,413)	58,086	–	7,111	–	45,784
Financing cash flows	(616,014)	3,718,275	–	(734,615)	(2,868,898)	(501,252)
Interest expenses	238,869	728,834	–	–	–	967,703
New leases	613,102	–	–	–	–	613,102
At 31 December 2019	1,151,926	11,724,878	–	–	–	12,876,804

Note: The other change represented the settlement of dividend payable through amounts due from directors/ immediate holding company.

37. Related party disclosures

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

Name of related parties	Nature of transactions	2019 US$	2018 US$
Calman Limited*	Rental expenses	**76,589**	76,548

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

(b) The Group's bank borrowings were secured by personnel guarantee from Mr. Bernard Szeto, a close family member of Mr. Szeto.

(c) **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 year was as follows:

	2019 US$	2018 US$
Salaries and other allowances	**961,450**	892,551
Performance related bonus	**991,062**	689,602
Retirement benefit scheme contributions	**7,660**	7,654
	1,960,172	1,589,807

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.

(d) The Group's outstanding balances with related party are set out in note 28.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

38. Particulars of subsidiaries

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

Name of subsidiary	Place of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Equity interest attributable to the Group		Principal activities
			2019	2018	
Directly held:					
Lever Style Inc.	British Virgin Islands ("BVI")	US$11,428	**100%**	100%	Investment holding
Indirectly held:					
Lever Shirt Holdings Limited	BVI	US$50,000	**100%**	100%	Investment holding
TTL Manufacturing Ltd.	BVI	US$1	**100%**	100%	Investment holding
Lever Garment Ltd.	Hong Kong	HK$2	**100%**	100%	Inactive
Lever Shirt	Hong Kong	HK$20,000,000	**100%**	100%	Trading of garment
Levertex	Hong Kong	HK$100,000	**100%**	100%	Trading of garment
Euford Enterprise Co Ltd.	Hong Kong	HK$10,000	**100%**	100%	Inactive
Plazzo Ltd.	Hong Kong	HK$2	**100%**	100%	Inactive
Lever Apparel Limited	Hong Kong	HK$10,000,000	**100%**	100%	Trading of garment
Topsun Garment Limited	Hong Kong	HK$1,500,000	**100%**	100%	Investment holding
漢精益服裝(深圳)有限公司	PRC	HK$12,000,000 (2018: HK$8,500,000)	**100%**	100%	Trading of garment
利華設計院(深圳)有限公司	PRC	US$1,300,000	**100%**	100%	Design and trading of garment

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

39. Statement of financial position of the company

	NOTE	2019 US$
Non-current assets		
Investment in a subsidiary		**14,344,150**
Current assets		
Deposits, prepayments and other receivables		**18,619**
Amounts from subsidiaries		**1,326,887**
Bank balances and cash		**13,145,006**
		14,490,512
Current liabilities		
Other payables and accruals		**730,207**
Net current assets		**13,760,305**
Total assets less current liabilities		**28,104,455**
Capital and reserves		
Share capital		**821,799**
Reserves	40	**27,282,656**
		28,104,455

40. Reserves of the company

Movement of the Company's reserves

Below is a table showing the movements of the reserves of the Company since its incorporation and up to 31 December 2019:

	Share premium US$	**Capital reserve** US$	**Accumulated losses** US$	**Total** US$
At 27 February 2019 (date of incorporation)	–	–	(286,662)	(286,662)
Loss and total comprehensive expense for the year	–	–	(2,467,244)	(2,467,244)
Waiver of listing expenses by a subsidiary	–	286,662	–	286,662
Issue of shares	14,344,137	–	–	14,344,137
Capitalisation issue	(616,323)	–	–	(616,323)
Issue of shares upon listing	17,257,762	–	–	17,257,762
Expenses on issue of shares	(1,235,676)	–	–	(1,235,676)
As at 31 December 2019	29,749,900	286,662	(2,753,906)	27,282,656

41. Major non-cash transactions

During the year, the Group entered into new lease agreements for the use of office for five years. During the year ended 31 December 2019, the Group recognised US$613,102 (2018: US$49,987) of right-of-use assets and US$613,102 (2018: US$49,987) of lease liabilities.

42. Capital commitments

	2019 US$	2018 US$
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	**245,288**	–

43. Events after the reporting period

The outbreak of the 2019 Novel Coronavirus ("COVID-19") has grown into a large-scale, multi-country epidemic during the first quarter of 2020 producing a challenging situation for all industries and society generally. The Group has assessed the overall impact of the situation on the entirety of its operations and taken all possible effective measures to limit the adverse effects of the rapidly spreading virus on people and activities. The Group is paying continuous attention to the ever-changing situation in order to respond appropriately with speed in a proactive manner.

Due to the outbreak of COVID-19, the Group's subcontractors located in China ceased its operation temporary in February 2020 which affected the delivery of goods to the Group's customers. At the date on which these consolidated financial statements were authorised for issue, all the Group's subcontractors have resumed its operation and the Group is in the progress of catching up customers' sales orders. However, the outbreak of COVID-19 is expected to have negative impact on the global economic environments as well as the Group's revenue and profit in 2020 and the Group is not able to estimate the financial effect at the date of this report.

Financial Summary

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

Results

	Year ended 31 December			
	2016 US$	2017 US$	2018 US$	**2019** **US$**
Revenue	100,596,337	100,794,678	115,885,610	**121,983,142**
Profit before tax	4,412,853	5,437,741	7,718,016	**6,207,467**
Income tax expense	(495,656)	(941,356)	(1,254,026)	**(1,368,502)**
Profit for the year	3,917,197	4,496,385	6,463,990	**4,838,965**

Assets and Liabilities

	As at 31 December			
	2016 US$	2017 US$	2018 US$	**2019** **US$**
Total assets	44,688,782	41,779,482	43,337,314	**64,881,820**
Total liabilities	(35,673,631)	(31,082,550)	(29,877,136)	**(30,535,891)**
Total equity	9,015,151	10,696,932	13,460,178	**34,345,929**