leverstyle

Lever Style Corporation

利華控股集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1346)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

ANNUAL RESULTS

The board of directors (the "**Board**") of Lever Style Corporation (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2019, together with the comparative figures for the year ended 31 December 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

		2019	2018
	NOTES	***US$***	*US$*
Revenue	4	**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		**291,192**	447,190
Other gains and losses		**(169,652)**	(162,093)
Selling and distribution expenses		**(15,930,292)**	(13,200,743)
Administrative expenses		**(10,400,839)**	(8,779,651)
Finance costs		**(967,703)**	(559,987)
Listing expenses		**(2,322,562)**	(286,662)
Profit before tax		**6,207,467**	7,718,016
Income tax expense	5	**(1,368,502)**	(1,254,026)
Profit for the year	6	**4,838,965**	6,463,990

* *for identification purposes only*

	NOTE	2019 US$	2018 US$
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)*	7		
– 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		**1,094,765**	1,066,790
Right-of-use assets		**1,032,121**	945,118
Club membership		**752,202**	–
Deposit paid for plant and equipment		**369,976**	–
		3,249,064	2,011,908
Current assets			
Inventories		**13,662,775**	15,316,485
Trade and bills receivables	9	**8,126,336**	7,899,191
Trade receivables at fair value through other comprehensive income		**11,557,332**	6,667,185
Deposits, prepayments and other receivables		**11,266,268**	7,572,528
Tax reserve certificates		**–**	650,413
Tax recoverable		**–**	77,011
Bank balances and cash		**17,020,045**	3,142,593
		61,632,756	41,325,406
Current liabilities			
Trade and bills payables	10	**12,729,680**	14,241,308
Other payables and accruals		**2,902,262**	2,788,647
Contract liabilities		**297,944**	611,148
Lease liabilities		**639,956**	543,555
Amount due to a related company		**–**	727,504
Dividend payable		**–**	2,868,898
Tax payables		**1,691,243**	446,037
Bank borrowings		**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

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

NOTES:

1. GENERAL

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

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

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

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

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

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

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

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

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

Accordingly, the consolidated statement of profit or loss and other comprehensive income, 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 have 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.

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

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the trading of garment. The Group's revenue represents the amounts received and receivable from the sales of garment to external customers. All revenue is recognised at a point in time when the customers obtain control of goods delivered.

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

Types of goods

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

	2019	2018
	US$	*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

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	2018
	US$	*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	2018
	US$	*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.

5. INCOME TAX EXPENSE

	2019	2018
	US$	*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	**(7,659)**	(11,482)
	1,165,827	1,190,129
PRC Enterprise Income Tax		
– current tax	**203,411**	68,300
Deferred tax	**(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.

6. PROFIT FOR THE YEAR

	2019	2018
	US$	*US$*
Profit for the year has been arrived at after charging:		
Directors' remuneration	**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

7. EARNINGS PER SHARE

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

	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.

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.

8. DIVIDENDS

During the year ended 31 December 2018, the group entities comprising the Group declared a dividend of HK$25,000,000 (equivalent to approximately US$3,196,113) to its shareholders (the "**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 (the "**Directors**") and is subject to approval by the Shareholders in the forthcoming annual general meeting of the Company (the "**AGM**").

9. TRADE AND BILLS RECEIVABLES

	2019	2018
	US$	*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

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

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

	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

10. TRADE AND BILLS PAYABLES

	2019	2018
	US$	*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 is up to 60 days. All bills payables are with a maturity period of less than one year.

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

	2019	2018
	US$	*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

REVIEW AND FUTURE PROSPECTS

On behalf of the Board, I am pleased to present the annual results of 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 announcement.

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.

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.

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%.

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

	2019	2018
	US$'000	*US$'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%.

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

FINAL DIVIDEND

The Board has resolved to propose a final dividend of HK4 cents per share for the year ended 31 December 2019, representing a distribution of approximately 68% of the Group's net profit for the year ended 31 December 2019.

The proposed final dividend payment is subject to approval by the Shareholders at the AGM to be held on Tuesday, 16 June 2020. If approved by Shareholders, the proposed final dividend is expected to be paid on or before Wednesday, 8 July 2020 to Shareholders whose names appear on the register of members of the Company on Friday, 26 June 2020.

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

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.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions in the Corporate Governance Code (the "**CG Code**") set out in the Corporate Governance Code contained in Appendix 14 to Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Board considers that the Company has complied with all the code provisions of the CG Code during the period from the successful listing on the Main Board of the Stock Exchange on Listing Date to 31 December 2019.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by directors of Listing Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Upon specific enquiries being made of all Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code since the Listing Date and up to 31 December 2019. The Group has established written guidelines for relevant employees in respect of securities transactions. No incident of non-compliance with the written guidelines was noted since the Listing Date and up to 31 December 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period from the Listing Date to 31 December 2019, the Company and its subsidiaries have not purchased, sold or redeemed any listed securities of the Company.

EVENTS OCCURING AFTER END OF 2019

At the date of this announcement, no material event has occurred after the reporting period.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

AUDIT COMMITTEE AND REVIEW ON THE ANNUAL RESULTS

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

The Company has established a Nomination Committee on 12 October 2019 in compliance with the CG Code with written terms of reference. As at the date of this announcement, the Nomination Committee has three members, Mr. Lee Shing Tung Tommy, Mr. Auyang Pak Hong Bernard and Mr. See Tak Wah, all of whom are independent non-executive Directors. Mr. Lee Shing Tung Tommy is the chariman of Nomination Committee. The primary duties of the Nomination Committee are to review the structure, size and composition of the Board; assess the independence of the independent non-executive Directors and make recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors. Recommend to the Board suitably qualified persons to become a member of the Board and to review the structure, size, composition of the Board and board diversity on a regular basis and as required.

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is published on the websites of the Company (www.leverstyle.com) and the Stock Exchange (www.hkexnews.hk), and the annual report of the Company for the year ended 31 December 2019 will be dispatched to Shareholders and published on the above websites in due course.

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

Hong Kong, 30 March 2020

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