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Lever Style Corporation
利華控股集團

(Incorporated in the Cayman Islands with limited liability)

Stock code:1346

Content

- 2 Corporate Information
- 4 Management Discussion and Analysis
- 11 Other Information
- 18 Condensed Consolidated Statement of Profit or Loss and Other Comprehensive (Loss)/Income
- 19 Condensed Consolidated Statement of Financial Position
- 21 Condensed Consolidated Statement of Changes in Equity
- 22 Condensed Consolidated Statement of Cash Flows
- 24 Notes to the Condensed Consolidated Financial Statements





Corporate Information

Board of Directors

Executive directors

Mr. Szeto Chi Yan Stanley (*Chairman*)
Dr. Chan Yuk Mau Eddie
(*Chief Executive Officer "CEO"*)
Mr. Lee Yiu Ming

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

30/F, United Centre
95 Queensway
Admiralty
Hong Kong

Company Website

www.leverstyle.com

Stock Code

1346

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
Central
Hong Kong

Bank of China (Hong Kong) Limited

Bank of China Tower
1 Garden Road
Hong Kong



Management Discussion and Analysis

Review and Future Prospects

The Board of directors (the "Directors") of Lever Style Corporation (the "Company", together with its subsidiaries, the "Group") would like to outline its review of the performance of the Group for the six months ended 30 June 2020 ("Period Under Review") and to provide an outline of the future prospects of the Group to its shareholders as set out below.

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

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

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

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

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

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

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



Financial Review

Revenue

Revenue of the Group dropped by approximately 33.8% from approximately US\$56.1 million in the first half of 2019 to approximately US\$37.1 million during the Period under Review. The decrease reflected the impact of COVID-19 on both supply chain, and brands and retailers. Some customers requested to delay shipment, reduce or cancel orders amid pandemic outbreak. Revenue was derived from the supply of multi-category apparel products to our customers with product development through production management to distribution logistics. Set out below is the breakdown of revenue by customer type:

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

Our revenue generated from digitally native customers decreased from approximately US\$30.8 million to approximately US\$16.8 million during the Period Under Review when compared to the corresponding period in 2019, representing a decrease of approximately 45.3%. The decrease was mainly caused by the significant negative impact of COVID-19 in the United States of America and Europe markets. Sales orders from one of our major customers that focuses on business attire, such as suits and pants, were particularly affected as demand for such product types significantly shrunk when most people worked from home amid lockdown.

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



Cost of sales

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

Gross profit and gross profit margin

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

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

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



Profit for the Period Under Review

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

- The social distancing policies, restrictions of gatherings, travel restrictions, lockdowns and various other measures implemented or imposed by authorities in many cities around the world in order to contain COVID-19, resulted in the physical stores of the Group's customers having been temporarily closed or adversely affected. As a supplier to these customers, the Group has inevitably been affected.
- As a result of COVID-19 which caused poor market sentiment in the United States of America and Europe, there have been delays to shipment of orders and cancellation of other orders by some of our customers.

Liquidity and Financial Resources

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

The Group obtained bank facilities to fulfil our working capital requirements and to finance our purchase of raw materials and payments to contract manufacturers. As at 30 June 2020, the Group had available banking facilities of approximately US\$39.4 million. Out of the total available banking facilities, we had unutilized banking facilities amounted for approximately US\$26.7 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\$28.8 million at 30 June 2020 (31 December 2019: US\$34.3 million). As at 30 June 2020, the gearing ratio of the Group was approximately 26.4% (31 December 2019: 34.1%). Gearing ratio is calculated based on the total debts (bank borrowings) divided by the total equity at the end of the period.

With the favorable cash and cash equivalents position of the Group, it has led to a net debt to equity ratio (total debts net of cash and bank balances divided by total equity at end of period) of approximately -22.6% in 2020 (31 December 2019: -15.4%).



Use of Proceeds from the IPO

Net proceeds from the issue of new shares of the Company for the IPO amounted to approximately HK\$105 million, after deducting related share issuance expenses of approximately HK\$31 million. These proceeds were utilized during the period from 13 November 2019 (the "Listing Date") to 30 June 2020 and will be utilized in accordance with the proposed percentage allocation set out in the prospectus of the Company dated 31 October 2019 (the "Prospectus"):

- Approximately HK\$71.7 million (68.3% of our total net proceeds) for expansion into the additional apparel categories by acquisition(s);
- Approximately HK\$17.1 million (16.3% of our total net proceeds) for the capital investment in relation to our B2B online platform;
- Approximately HK\$6.2 million (5.9% of our total net proceeds) for capital investment in relation to digitalisation;
- Approximately HK\$5.6 million (5.3% of our total net proceeds) for repaying of existing debts;
- Approximately HK\$4.4 million (4.2% of our total net proceeds) for our general working capital.

For the period from the Listing Date to 30 June 2020, the Group had utilized approximately HK\$18.2 million of the proceeds for B2B online platform and digitalization projects, the repayment of debts, and general working capital. Unutilized net proceeds as at 30 June 2020 were deposited in licensed banks. The Directors intend to utilize the remaining net proceeds in the manner disclosed in the Prospectus by 2021.

Contingent Liabilities

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

Employees and Remuneration

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



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

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 interim report, there is no other plan for material investments or capital assets as at the date of this report.

Foreign Currency Exposure

The Group's reporting and functional currency is US\$ whilst some of the Group's business transactions are denominated in various other currencies, primarily Renminbi and HK\$. 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 Occurred after 30 June 2020

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

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

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



Pledge of Assets

As at 30 June 2020, pledge of assets of the Group are set out in Note 17 to the unaudited condensed consolidated financial statements.

Significant Investments Held

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

Material Acquisition or Disposal of Subsidiaries

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

Capital Commitments

As at 30 June 2020, capital commitments of the Group are set out in Note 16 to the unaudited condensed consolidated financial statements.



Other Information

Communication with Shareholders

The Company's 2020 Annual General Meeting (the "AGM") was held on 16 June 2020. All resolutions at the 2020 AGM were passed by way of a poll and the poll results were posted on the websites of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") and the Company on the same day.

Interim Dividend

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

Purchase, Sale or Redemption of Listed Securities of the Company

During the six months ended 30 June 2020, the Company and its subsidiaries have repurchased 588,000 shares of the Company with aggregate consideration of HK\$282,800 on the Stock Exchange, which had been cancelled as at the date of this report. Details of the share repurchases during the Period Under Review are as follows:

Month of repurchase	Number of repurchased shares	Purchase price per share		Aggregate consideration
		Highest HK\$	Lowest HK\$	
May 2020	180,000	0.48	0.45	83,400
June 2020	408,000	0.51	0.47	199,400

Save as disclosed above, neither the Company, nor any of its subsidiaries purchased, sold or redeemed any of the Group's listed securities during the Period Under Review.

Board of Directors

At 30 June 2020, the composition of the Board is:

Executive directors

Mr. Szeto Chi Yan Stanley (*Chairman*)
Dr. Chan Yuk Mau Eddie (*Chief Executive Officer "CEO"*)
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

There is no change in the information of Directors during the six months ended 30 June 2020 and up to the date of this report, which is required to be disclosed pursuant to the Rule 13.51(B) of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Board Committees

At 30 June 2020, the composition of the board committees remains the same as that set out in the 2019 annual report of the Company.

Senior Management

At 30 June 2020, the composition of the senior management of the Company remains the same as that set out in the 2019 annual report of the Company.

Continuing Professional Development

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

Share Option Scheme

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

Since the Adoption Date and up to 30 June 2020, 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 30 June 2020, 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 30 June 2020.
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 Shares and Underlying Shares of the Company

As at 30 June 2020, 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 (L)	47.76%
Lever Style Holdings	Beneficial owner (Note 3)	305,664,000 (L)	47.76%
Fung Trinity Holdings Limited	Beneficial owner (Note 4)	92,224,000 (L)	14.41%
Fung Capital Asia Fund (I) Limited	Interest of controlled corporation (Note 4)	92,224,000 (L)	14.41%
Fung Capital Limited	Interest of controlled corporation (Note 4)	92,224,000 (L)	14.41%
Poolside Ventures Limited	Beneficial owner (Note 5)	36,892,000 (L)	5.77%

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 30 June 2020.
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 30 June 2020.

Corporate Governance

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

Model Code for Securities Transactions by Directors

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

Audit Committee

The Company has established an Audit Committee on 12 October 2019 in compliance with the CG Code with written terms of reference. The Audit Committee has three members, namely Mr. See Tak Wah, Mr. Auyang Pak Hong Bernard and Mr. Lee Shing Tung Tommy, all of whom are independent non-executive Directors. Mr. See Tak Wah is the chairman of the Audit Committee and possesses the appropriate professional qualifications. The primary duties of the Audit Committee are to oversee the financial reporting system and internal control system of the Group, oversee the audit process, review and oversee the existing and potential risks of the Group and perform other duties and responsibilities as assigned by the Board. For the six months ended 30 June 2020, the Audit Committee met the independent auditors to discuss their findings during the audit of the consolidated financial statements for the year ended 31 December 2019. The Audit Committee reviewed the actions taken by management to address the findings and was satisfied with the work done. The Audit Committee also reviewed the work of the Internal Audit in examining the application of policies and internal controls in specific locations within the Group and was satisfied with the quality of the work undertaken. Nothing of a material nature was revealed and the Audit Committee proposed to the Board a small number of actions to strengthen compliance further that were adopted and are being implemented.



The Audit Committee has reviewed, together with the management of the Group, the accounting principles and policies adopted by the Group and discussed with them the unaudited condensed consolidated financial statements and interim results announcement of the Group for the six months ended 30 June 2020, recommending their adoption by the Board.

Remuneration Committee

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

Nomination Committee

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



Risk Management and Internal Control

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

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

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

In addition, the Group has 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.

For the Period Under Review, an interim internal audit report rendered by the independent internal control consultant has been submitted to and reviewed by the Audit Committee and the Board. The review on the effectiveness of the Group's risk management and internal control systems included, among other things, the Group's ability to cope with its business transformation and changing external environment; the scope and quality of management's 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.



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

For the six months ended 30 June 2020

NOTES	Six months ended 30 June	
	2020 US\$ (Unaudited)	2019 US\$ (Unaudited)
Revenue	4	37,136,205
Cost of sales		(26,595,552)
Gross profit		10,540,653
Other income		271,204
Other gains and losses		(543)
Selling and distribution expenses		(6,855,856)
Administrative expenses		(5,843,326)
Finance costs		(287,751)
Listing expenses		–
(Loss)/Profit before tax		(2,175,619)
Income tax expense	5	(45,553)
(Loss)/Profit for the period	6	(2,221,172)
Other comprehensive expense		
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences arising on translation of foreign operations		(21,861)
Total comprehensive (loss)/income for the period		(2,243,033)
(Loss)/Earnings per share (US cents) – basic	7	(0.35)



Condensed Consolidated Statement of Financial Position

At 30 June 2020

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



Condensed Consolidated Statement of Financial Position (Continued)

At 30 June 2020

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



Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	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 2019 (Audited)	11,428	1,037,114	-	87,741	(428,292)	12,752,187	13,460,178
Profit for the period	-	-	-	-	-	2,046,473	2,046,473
Exchange differences arising on translation of foreign operations	-	-	-	-	(28,133)	-	(28,133)
Total comprehensive income for the period	-	-	-	-	(28,133)	2,046,473	2,018,340
Transfer to statutory reserve	-	-	-	19,804	-	(19,804)	-
Effect of Reorganisation	(11,402)	13,307,023	(13,295,621)	-	-	-	-
At 30 June 2019 (Unaudited)	26	14,344,137	(13,295,621)	107,545	(456,425)	14,778,856	15,478,518
At 1 January 2020 (Audited)	821,799	29,749,900	(13,295,621)	170,405	(609,042)	17,508,488	34,345,929
Loss for the period	-	-	-	-	-	(2,221,172)	(2,221,172)
Exchange differences arising on translation of foreign operations	-	-	-	-	(21,861)	-	(21,861)
Total comprehensive loss for the period	-	-	-	-	(21,861)	(2,221,172)	(2,243,033)
Dividend recognized as distribution	-	-	-	-	-	(3,302,459)	(3,302,459)
At 30 June 2020 (Unaudited)	821,799	29,749,900	(13,295,621)	170,405	(630,903)	11,984,857	28,800,437

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.



Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 US\$ (Unaudited)	2019 US\$ (Unaudited)
OPERATING ACTIVITIES		
(Loss)/Profit before tax	(2,175,619)	2,569,147
Adjustments for:		
Finance costs	287,751	531,793
Interest income	(80,253)	–
Depreciation of plant and equipment	210,653	175,245
Depreciation of right-of-use assets	322,463	256,082
Operating cash flow before movements in working capital	(1,435,005)	3,532,267
Decrease in inventories	2,252,250	7,507,124
Decrease in trade and bills receivables	2,286,438	5,010,897
Increase in deposits, prepayments and other receivables	(376,583)	(10,422,229)
Decrease (Increase) in trade receivables at FVTOCI	8,978,021	(2,221,838)
Redemption of tax reserve certificate	–	650,413
Decrease in trade and bills payables	(5,980,531)	(4,103,746)
(Increase) Decrease in other payables and accruals	(1,941,755)	710,438
Decrease (Increase) in contract liabilities	55,355	(315,014)
Cash generated from operations	3,838,190	348,312
Income Tax (paid) refunded	(1,674,089)	128,165
NET CASH FROM OPERATING ACTIVITIES	2,164,101	476,477
INVESTING ACTIVITIES		
Purchases of club membership	–	(747,127)
Purchase of plant and equipment	(378,210)	(117,204)
Interest received	80,253	–
NET CASH USED IN INVESTING ACTIVITIES	(297,957)	(864,331)



Condensed Consolidated Statement of Cash Flows (Continued)

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020 US\$ (Unaudited)	2019 US\$ (Unaudited)
FINANCING ACTIVITIES		
New bank borrowings raised	3,344,227	7,196,561
Net (repayment) addition of trust receipt loans	(4,863,009)	4,800,764
Repayment of bank borrowings	(2,590,646)	(8,708,533)
Interest paid	(287,751)	(531,793)
Repayment to related companies	—	(727,504)
Repayment of lease liabilities	(355,092)	(198,853)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(4,752,271)	1,830,642
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,886,127)	1,442,788
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	17,020,045	3,142,593
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(15,627)	74,194
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD represented by bank balances and cash	14,118,291	4,659,575



Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

1 General

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

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

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

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

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

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

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



2 Reorganisation and Basis of Preparation and Presentation of the Condensed Consolidated Financial Statements (Continued)

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

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

Accordingly, the condensed consolidated statements for the six months ended 30 June 2019, have been prepared to present the results, changes in equity and cash flows of the companies now comprising the Group, as if the group structure upon the completion of the Reorganisation had been in existence throughout the six months ended 30 June 2019, or since the respective date of incorporation of the relevant entity where this is a shorter period.

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

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

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

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



4 Revenue and Segment Information

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

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

Types of goods

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

	Six months ended 30 June	
	2020 US\$ (Unaudited)	2019 US\$ (Unaudited)
Bottoms	13,123,190	16,386,135
Shirts	12,992,832	25,290,104
Suit	3,730,525	8,793,484
Outerwear	2,219,835	2,917,315
Others	5,069,823	2,743,780
Total	37,136,205	56,130,818



4 Revenue and Segment Information (Continued)

Geographical information

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

	Six months ended 30 June	
	2020	2019
	US\$	US\$
	(Unaudited)	(Unaudited)
United States of America	23,926,641	43,269,047
Europe	5,665,804	7,328,034
Greater China [#]	4,716,578	3,439,838
Others	2,827,182	2,093,899
	37,136,205	56,130,818

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

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

5 Income Tax Expense

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



5 Income Tax Expense (Continued)

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

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

Under the Law of the PRC on Enterprise Income tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25% for both years. One of the Group's subsidiaries, 利華設計院(深圳)有限公司, is entitled to 15% tax rate during the period and until 2020 as the subsidiary is situated in Qianhai Shenzhen-Hong Kong Modern Services Industry Cooperation Zone and is qualified for reduced tax rate.

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



6 (Loss)/Profit for the Period

	Six months ended 30 June	
	2020 US\$ (Unaudited)	2019 US\$ (Unaudited)
(Loss)/Profit for the period has been arrived at after charging:		
Directors' remuneration	1,557,013	982,400
Other staff costs		
– salaries and other allowances	4,479,527	4,721,600
– retirement benefit scheme contributions	447,242	608,967
Total staff costs	6,483,782	6,312,967
Auditor's remuneration	109,654	137,297
Cost of inventories as an expense	26,595,552	39,736,708
Depreciation of plant and equipment	210,653	175,245
Depreciation of right-of-use assets	322,463	256,082
Expense relating to short-term leases	73,463	75,505
Interest income	80,253	–
Net exchange loss	543	10,156
Finance costs		
– Interest expense on lease liabilities	26,395	122,525
– Interest on bank borrowings	261,356	409,268



7 (Loss)/Earnings Per Share

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

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

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

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

8 Dividends

(a) Dividends recognized during the reporting period

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

(b) Dividends not recognized during the reporting period

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



9 Property, Plant and Equipment

During the six months ended 30 June 2020, the Group incurred total expenditure of approximately US\$748,000 (six months ended 30 June 2019: approximately US\$117,000) on the acquisition of property, plant and equipment.

10 Right-of-Use Assets

During the current interim period, the Group entered into a new lease agreement with lease term of 2 years. The Group recognised new right-of-use assets of approximately US\$19,000 and the corresponding lease liabilities of approximately US\$19,000 during the current interim period.

11 Trade and Bills Receivables

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

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

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

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



12 Trade Receivables at Fair Value Through Other Comprehensive Income

As part of the Group's cashflow and risk management, the Group has the practice of factoring certain trade receivables to financial institutions before the receivables are due for payment. The factored trade receivables are derecognized 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 which is held to collect contractual cash flows and to sell, and have been reclassified to trade receivables at FVTOCI.

At 30 June 2020, the effective interest rates of the factoring trade receivables at FVTOCI ranged from 2.03% to 2.19% (31 December 2019: 3.33% to 4.9%) per annum. Details of the valuation techniques and key inputs adopted for their fair value measurements are disclosed in note 19.

13 Trade and Bills Payables

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

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



13 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.

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

14 Bank Borrowings

During the six months ended 30 June 2020, the Group obtained new bank borrowings of US\$20,589,000 (six months ended 30 June 2019: US\$24,709,000) and repaid bank borrowings of US\$24,699,000 (six months ended 30 June 2019: US\$21,421,000). The bank borrowings of the Group carry interest at market rates ranging from 2.28% to 3.82% per annum (31 December 2019: 1.59% to 5.57% per annum).

15 Share Capital

	At 30 June 2020 US\$ (Unaudited)	At 31 December 2019 US\$ (Audited)
Issued and fully paid		
640,000,000 Ordinary shares of HK\$0.01 each	821,799	821,799



16 Capital Commitments

	At 30 June 2020 US\$ (Unaudited)	At 31 December 2019 US\$ (Audited)
Capital expenditure in respect of the acquisition of plant and equipment contracted for but not provided in the consolidated financial statements	70,727	245,288

17 Pledge of Assets

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

	At 30 June 2020 US\$ (Unaudited)	At 31 December 2019 US\$ (Audited)
Motor vehicles	48,268	51,457
Bills receivables	588,858	1,295,338
	637,126	1,346,795

18 Related Party Transactions

- (a) During the six months ended 30 June 2020, the Group entered into the following transactions with a related party:

Name of related parties	Nature of transactions	Six months ended 30 June	
		2020 US\$ (Unaudited)	2019 US\$ (Unaudited)
Calman Limited*	Rental expenses	38,701	38,262

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



18 Related Party Transactions (Continued)

(b) Compensation of key management personnel

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

	Six months ended 30 June	
	2020 US\$ (Unaudited)	2019 US\$ (Unaudited)
Salaries and other allowances	444,834	426,340
Performance related bonus	1,072,068	552,235
Retirement benefit scheme contributions	12,427	3,825
	1,529,329	982,400

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

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

- (c)** As at 30 June 2020, the Group did not have outstanding balances with related parties (31 December 2019: nil).



19 Fair Value Measurements of Financial Instruments

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

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

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

	Fair value hierarchy at 30 June 2020		Fair value hierarchy at 31 December 2019		Valuation techniques and key inputs
	Level 2 US\$ (Unaudited)	Total US\$ (Unaudited)	Level 2 US\$ (Audited)	Total US\$ (Audited)	
Financial assets Trade receivables at FVTOCI		2,579,310	2,579,310	11,557,332	11,557,332 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.