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 2021

ANNUAL RESULTS

The board of directors (the "**Board**") of Lever Style Corporation (the "**Company**") would like to announce the audited consolidated financial results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	NOTES	2021 US$	2020 US$
Revenue	3	**143,687,303**	87,729,901
Cost of sales		**(104,013,139)**	(61,785,654)
Gross profit		**39,674,164**	25,944,247
Other income		**435,980**	754,626
Other gains and losses		**(120,805)**	(176,394)
Impairment loss on trade receivables under expected credit loss model		**(36,473)**	(208,844)
Selling and distribution expenses		**(19,968,812)**	(14,387,446)
Administrative expenses		**(14,082,580)**	(11,310,956)
Finance costs		**(605,064)**	(607,911)
Profit before tax		**5,296,410**	7,322
Income tax (charge) credit	4	**(978,533)**	100,581
Profit for the year	5	**4,317,877**	107,903
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		**117,341**	276,170
Total comprehensive income for the year		**4,435,218**	384,073
Earnings per share *(US cents)*	6		
– basic		**0.68**	0.02
– diluted		**0.68**	0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	NOTES	2021 US$	2020 US$
Non-current assets			
Plant and equipment		**2,165,596**	1,668,198
Right-of-use assets		**3,211,860**	5,496,316
Intangible assets		**5,119,030**	752,202
Deposit paid for plant and equipment		**21,675**	270,573
Deferred tax assets		**156,080**	159,305
		10,674,241	8,346,594
Current assets			
Inventories		**20,474,856**	12,322,508
Trade and bills receivables	8	**11,866,641**	3,878,992
Trade receivables at fair value through other comprehensive income		**6,369,640**	5,755,737
Deposits, prepayments and other receivables		**17,249,049**	14,134,223
Derivative financial assets		**54,682**	–
Tax recoverable		**44,982**	229,039
Bank balances and cash		**19,866,056**	17,762,584
		75,925,906	54,083,083
Current liabilities			
Trade and bills payables	9	**16,230,329**	8,796,092
Other payables and accruals		**3,356,590**	1,608,185
Contract liabilities		**1,811,234**	981,722
Lease liabilities		**838,084**	1,185,334
Tax payables		**711,442**	137,459
Bank borrowings		**24,599,562**	13,940,671
		47,527,241	26,649,463
Net current assets		**28,398,665**	27,433,620
Total assets less current liabilities		**39,072,906**	35,780,214

	2021	2020
	US$	*US$*
Non-current liabilities		
Lease liabilities	**2,644,250**	4,403,332
Bank borrowings	**–**	4,495
Other payables	**482,000**	–
Deferred tax liabilities	**103,186**	–
	3,229,436	4,407,827
	35,843,470	31,372,387
Capital and reserves		
Share capital	**820,640**	820,640
Reserves	**35,022,830**	30,551,747
	35,843,470	31,372,387

NOTES:

1. GENERAL INFORMATION

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

Its immediate and ultimate holding company are Lever Style Holdings Limited 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 Company is an investment holding company.

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

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

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of the agenda decision of the Committee – Cost necessary to sell inventories (HKAS 2 Inventories)

In June 2021, the Committee, through its agenda decision, clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories. In particular, whether such costs should be limited to those that are incremental to the sale. The Committee concluded that the estimated costs necessary to make the sale should not be limited to those that are incremental but should also include costs that an entity must incur to sell its inventories including those that are not incremental to a particular sale.

The Group's accounting policy prior to the Committee's agenda decision was to determine the net realisable value of inventories taking into consideration incremental costs only. Upon application of the Committee's agenda decision, the Group changed its accounting policy to determine the net realisable value of inventories taking into consideration both incremental costs and other cost necessary to sell inventories. The new accounting policy has been applied retrospectively.

The application of the Committee's agenda decision has had no material impact on the Group's financial positions and performance.

Impacts on application of Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liabilities as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures ("**HKFRS 7**").

As at 1 January 2021, the Group has financial liabilities, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform. The bank borrowings carry interest at a premium over Hong Kong Interbank Offered Rate or London Interbank Offered Rate.

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank borrowings measured at amortised cost.

3. REVENUE AND SEGMENT INFORMATION

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

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

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:

	2021	2020
	US$	*US$*
Outerwear	**42,252,183**	19,276,674
Bottoms	**34,181,353**	22,035,801
Shirts	**32,085,009**	26,830,596
Knit	**9,780,348**	3,402,882
Suit	**7,018,762**	7,720,021
Soft Woven	**6,481,911**	4,981,614
Sweater	**6,350,385**	2,361,403
Others	**5,537,352**	1,120,910
Total	**143,687,303**	87,729,901

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.

	2021	2020
	US$	*US$*
United States of America	**78,819,295**	52,818,832
Europe	**30,185,876**	19,800,231
Greater China[#]	**14,236,666**	7,148,148
Oceania	**8,960,548**	4,879,935
Others	**11,484,918**	3,082,755
	143,687,303	87,729,901

[#] 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:

	2021	2020
	US$	*US$*
Customer A	**19,633,124**	15,445,922
Customer B	**14,931,530**	13,437,950

4. INCOME TAX CHARGE (CREDIT)

	2021	2020
	US$	*US$*
Hong Kong Profits Tax:		
– Current tax	**766,688**	140,730
– Overprovision in prior years	**(21,062)**	(10,340)
– One-off tax reduction of profits tax by the Inland Revenue Department ("**IRD**")	**–**	(1,290)
	745,626	129,100
PRC Enterprise Income Tax ("**EIT**")		
– Current tax	**111,276**	53,752
– Under (over) provision in prior year	**15,220**	(87,131)
	126,496	(33,379)
Deferred tax	**106,411**	(196,302)
	978,533	(100,581)

Hong Kong Profits Tax for both periods is calculated at 16.5% of the estimated assessable profits for the period, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. For this subsidiary, the first HK$2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

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%. The Group's subsidiaries, 利華服飾智造(深圳)有限公司, is qualified as Small Low-profit Enterprises with annual taxable income less than Renminbi ("**RMB**") 3 million for both years and 利華設計院(深圳)有限公司 was qualified as Small Low-profit Enterprises with annual taxable income less than RMB3 million in 2020. The portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 12.5% (2020: 25%) of taxable income amount and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 50% of taxable income amount, and be subject to enterprise income tax at 20% tax rate. 利華設計院(深圳)有限公司 is eligible for income tax rate at 15% under the corporate income tax policy, Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone Enterprise Income Tax Preferential Catalogue (2021 Edition) in 2021.

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

5. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging:

	2021	2020
	US$	*US$*
Directors' remuneration	**1,231,448**	2,026,814
Other staff costs		
– salaries and other allowances	**10,733,098**	7,844,296
– share based payment expense	**35,865**	–
– redundancy cost *(note)*	**57,875**	582,739
– retirement benefit scheme contributions	**1,653,621**	896,200
Total staff costs	**13,711,907**	11,350,049
Auditor's remuneration	**321,049**	308,418
Cost of inventories as an expense	**103,954,053**	61,741,112
Impairment loss on inventories	**59,086**	44,542
Depreciation of plant and equipment	**591,045**	469,324
Depreciation of right-of-use assets	**900,626**	729,875
Amortisation of intangible assets (included in selling and distribution expenses)	**115,172**	–
Expense relating to short-term leases	**175,388**	181,051

Note: For the year ended 31 December 2020, redundancy cost of US$582,739 is recognised in profit or loss which is resulted from a redundancy exercise undertaken by the Group due to the uncertainty of the global economic environment and the decrease of customers' demand as a result of the outbreak of COVID-19.

6. 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:

	2021	2020
	US$	*US$*
Earnings:		
Profit for the year for the purposes of calculating basic and diluted earnings per share	**4,317,877**	107,903

	2021	2020
Number of shares:		
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	**639,100,000**	639,520,568

The computation of diluted earnings per share for the year ended 31 December 2021 did not assume the exercise of the Company's share option because the exercise price of those option was higher than the average market price for shares from the date of grant.

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

7. DIVIDENDS

	2021	2020
	US$	*US$*
Final, paid – nil cents per ordinary share for 2020 (2020: HK4 cents per ordinary share for 2019)	**–**	3,302,459

Final dividend of HK2.5 cents (2020: nil) per ordinary share was proposed by the directors of the Company for the year ended 31 December 2021.

8. TRADE AND BILLS RECEIVABLES

	2021	2020
	US$	*US$*
Trade receivables – contracts with customers	**11,942,123**	3,816,496
Less: allowance for expected credit losses	**(177,490)**	(212,688)
	11,764,633	3,603,808
Bills receivables	**102,008**	–
Bills receivables discounted with recourse	**–**	275,184
	11,866,641	3,878,992

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.

	2021	2020
	US$	*US$*
0 to 30 days	**8,312,586**	1,297,676
31 to 60 days	**2,144,141**	1,207,268
Over 60 days	**1,307,906**	1,098,864
	11,764,633	3,603,808

9. TRADE AND BILLS PAYABLES

	2021	2020
	US$	*US$*
Trade payables	**15,917,895**	8,707,423
Bills payables	**312,434**	88,669
	16,230,329	8,796,092

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

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

	2021	2020
	US$	*US$*
0 to 30 days	**15,535,180**	7,806,589
31 to 60 days	**260,114**	472,932
Over 60 days	**122,601**	427,902
	15,917,895	8,707,423

REVIEW AND FUTURE PROSPECTS

Record results

The Group achieved approximately 63.8% revenue growth in 2021 to a record approximately US$143.7 million. Net profit increased approximately 40-fold, albeit from a low base in 2021 the COVID year. As the western world gradually emerged from COVID lockdowns, apparel sales rebounded along with resumption of normal life. While we certainly benefited from that post-COVID rebound, a significant part of our over approximately 60% growth came from the strategic acquisitions we made in 2020, and also our market share gains as new and existing customers learn to appreciate our multi-category one-stop-shop model. Going forward, we are seeing such positive trends continuing, and we expect another year of healthy growth in 2022.

It is worth noting that of the five strategic acquisitions we made since COVID started, three are in sports/outdoor apparels, the fastest growing segment of the apparel industry. From next to zero in 2019, sports/outdoor apparels, which consists of performance outerwear, sports bras, and other products such as yoga pants in our product portfolio, accounted for approximately 20.5% of our revenue in 2021. We will continue to look for strategic acquisition opportunities in the sports/outdoor apparels space to further widen our activewear product offerings.

Supply chain challenges

While our 2021 revenues jumped approximately 63.8% from 2020 and exceeded that of 2019 by approximately 17.8%, our 2021 profitability still lagged that of 2019 due to supply chain disruption issues. Freight costs continued to soar, while COVID factory lockdowns made us scramble for capacity. While our flexible asset-light business model allowed us to honor our delivery commitments better than most, such last-minute scrambling weighed heavily on costs.

Looking forward, we expect freight costs to stabilize albeit at a high level and COVID factory lockdowns to reduce in frequency, resulting in a more predictable cost base. This should help stabilize our margins in 2022. Raw material costs have been on an inflationary spiral, but because of the nature of our industry, raw material costs are usually directly passed onto our customers, making raw material inflation less impactful to our bottom line.

Recession-proof model

The COVID years have helped us crystalize our recession-proof model. In a growing economy, such as the second half of 2021 and now in 2022, we are able to grow organically, winning both new customers and wallet share from existing customers. In bad times, we have proven that we can still grow our business (albeit with some time lag) by taking advantage of depressed valuations to acquire complementary businesses.

While we are achieving strong organic growth helped by the post-COVID rebound, acquisitions have become harder to conclude as surging demand has raised valuation expectations. While this post COVID rebound has no signs of abating in the short term, clouds are forming on the horizon. Interest rate increases, spiraling inflation, and downturn in financial markets that create the reverse wealth effect can suddenly zap consumer demand.

When the party ends, and it is a question of when, not if, we shall once again be ready to supplement our growth with strategic acquisitions. Despite the COVID difficulties and the five acquisitions we made in 2020–21, our war chest of cash sitting in the bank has actually grown to record levels.

Pivot to digital platform

While apparel retail has become vastly digitalized, as seen by the stunning rise of digital platforms like Stitch Fix and Amazon, and by the emergence of digitally native brands like Bonobos and Everlane, the apparel supply chain has remained mostly analog. Supply chain digitalization is bound to happen, and we are in prime position to lead this revolution.

We serve almost 120 active customers and works with around 62 factory partners, across almost all apparel product categories. While most apparel suppliers tend to work narrow and deep with a small number of core customers, we have adopted the platform model of going wide and shallow with a wide range of customers, suppliers, and products. While our approach helps us cater to an underserved market (small and emerging brands with low volume production), it also puts us in prime position to pivot into a digital platform.

We are in the process of digitalizing our processes to allow us to work with even more brands and factory partners in a more automated manner. We are also considering collaborating with technology partners to build greenfield digital apparel supply chain platforms, where we can in time inject some of our small customers, which tend to be most receptive to such innovative solutions, to create momentum.

Conclusion

The Group managed to power out of the pandemic with record growth and sales. With a flexible asset-light business model and a strong war chest, we have never felt more optimistic about the strategic prospects of our bread-and-butter business.

The inevitable digitalization of the apparel supply chain will shake up the industry and will produce new winners and losers. We are well-positioned and determined to aggressively ride this wave and become one of the winners.

FINANCIAL REVIEW

Revenue

Revenue of the Group increased by approximately 63.8% from approximately US$87.7 million in 2020 to approximately US$143.7 million in 2021. The increase was primarily attributable to: (i) the strong business rebound from the COVID-19 hit; (ii) the development in customer and product category diversity as a result of the Group's cross selling strategy; and (iii) the previous strategic acquisitions made by the Group during the two years ended 31 December 2020 and 2021 which enabled the Group to have a broader product capability and expand its customer base. 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			
	2021		2020	
	US$'000	***%***	*US$'000*	*%*
Digitally native	**49,613**	**34.5**	34,750	39.6
Conventional				
– Premium	**85,331**	**59.4**	49,967	57.0
– Moderate	**8,743**	**6.1**	3,013	3.4
Sub-total	**94,074**	**65.5**	52,980	60.4
Total	**143,687**	**100.0**	87,730	100.0

Our revenue generated from digitally native customers increased from approximately US$34.8 million in 2020 to approximately US$49.6 million in 2021, representing an increase of approximately 42.8%. The increase mainly benefited from the business rebound from the COVID-19 hit, especially in the United States.

Revenue generated from conventional premium customers increased significantly from approximately US$50.0 million in 2020 to approximately US$85.3 million in 2021, representing an increase of approximately 70.8%, while the contribution of the total revenue from conventional premium customers increased from approximately 57.0% in 2020 to approximately 59.4% in 2021. Such increase was mainly attributable to the Group's strategic acquisitions and cross selling strategy, both of which enabled the Group to have a broader product capability and expand its customer base.

Cost of Sales

Our cost of sales mainly comprises material costs and subcontracting fees. Cost of sales increased by approximately 68.3% from approximately US$61.8 million in 2020 to approximately US$104.0 million in 2021. Cost of sales as a percentage of total revenue increased from approximately 70.4% in 2020 to approximately 72.4% in 2021, reflecting inflation and supply chain disruption impact which caused price increase in both material cost and subcontracting cost.

Gross profit and gross profit margin

Our gross profit increased from approximately US$25.9 million in 2020 to approximately US$39.7 million in 2021, representing an increase of approximately 52.9%, along with the business growth. Gross profit margin decreased from approximately 29.6% in 2020 to approximately 27.6% in 2021, which was mainly due to inflation and pricing pressure in supply chain disruptions especially in China and Southeast Asia.

	Year ended 31 December			
	2021		2020	
	Gross profit *US$'000*	**Gross profit margin** *%*	Gross profit *US$'000*	Gross profit margin *%*
Digitally native	**15,915**	**32.1**	12,490	35.9
Conventional				
– Premium	**21,713**	**25.4**	12,644	25.3
– Moderate	**2,046**	**23.4**	810	26.9
Sub-total	**23,759**	**25.3**	13,454	25.4
Total	**39,674**	**27.6**	25,944	29.6

Profit for the year

The Group recorded a net profit of approximately US$4.3 million for the year ended 31 December 2021, as compared to approximately US$0.1 million for the year ended 31 December 2020. Such improvement was primarily attributable to: (i) the strong business rebound from the COVID-19 hit which led to an increase in the amount of sales to customers of the Group; (ii) the development in customer and product category diversity as a result of the Group's cross selling strategy; and (iii) the previous strategic acquisitions made by the Group during the two years ended 31 December 2020 and 2021 which enabled the Group to have a broader product capability and expand its customer base.

Increase of approximately US$4.2 million in net profit compared to 2020 was arrived to after: (1) gross profit increased by approximately 52.9% from approximately US$25.9 million in 2020 to approximately US$39.7 million in 2021; (2) selling and distribution expenses increased from approximately US$14.4 million in 2020 to approximately US$20.0 million in 2021 as a combined result of business growth as well as sea freight cost soaring due to supply chain disruption; (3) administrative expenses increased from approximately US$11.3 million in 2020 to approximately US$14.1 million in 2021, owing to (i) the Group's continuous development and optimization in staff benefit program to retain talents, (ii) employees brought in from strategic acquisitions; (iii) B2B online platform and digitalization investment.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintains a healthy financial position. Cash and cash equivalents of the Group as at 31 December 2021 were approximately US$19.9 million (2020: US$17.8 million). As at 31 December 2021, the Group had net current assets of approximately US$28.4 million. Compared to approximately US$27.4 million as at 31 December 2020, it represented an increase of approximately US$1.0 million. The current ratio for 2021 was approximately 1.6 times whilst it was approximately 2.0 times for 2020 which remained at a relatively healthy position.

The Group obtained bank facilities to fulfil our working capital requirements and to finance our purchase of raw materials and payments to contract manufacturers. As at 31 December 2021, the Group had available banking facilities of approximately US$50.1 million. Out of the total available banking facilities, we had unutilized banking facilities amounted for approximately US$19.0 million. The amount of available bank facilities is considered sufficient for the Group's operation.

GEARING RATIO

Equity attributable to the Company amounted to approximately US$35.8 million at 31 December 2021 (2020: US$31.4 million). As at 31 December 2021, the gearing ratio of the Group was approximately 68.6% (2020: 44.5%). Gearing ratio is calculated based on the total debts (bank borrowings) divided by the total equity at the end of the year. The increase in gearing ratio for 2021 was mainly due to increase in bank borrowings.

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 13.2% in 2021 (2020: -12.2%).

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 had been fully utilized by 31 December 2021 in accordance with the proposed percentage allocation set out in the prospectus of the Company dated 31 October 2019 and the announcement of the Company dated 13 December 2021 in relation to partial change in nature of use of proceeds from the IPO.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group had no material contingent liability (2020: Nil).

EMPLOYEES AND REMUNERATION

As at 31 December 2021, the Group employed a total of 341 full-time employees (2020: 304 employees). For the year ended 31 December 2021, the aggregate remuneration of the Group's employees (including Directors' remuneration) remained stable at approximately US$13.7 million (2020: US$11.4 million).

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

FINAL DIVIDEND

The Board has resolved to propose a final dividend of HK2.5 cents (2020: nil) per ordinary share in total of approximately HK$16,000,000 (equivalent to approximately US$2,049,000) for the year ended 31 December 2021, representing a distribution of approximately 47.4% of the Group's net profit for the year ended 31 December 2021.

The proposed final dividend payment is subject to approval by the shareholders at the forthcoming annual general meeting ("**AGM**") to be held on Friday, 10 June 2022. If approved by Shareholders, the proposed final dividend is expected to be paid on or before Thursday, 30 June 2022 to shareholders whose names appear on the register of members of the Company on Tuesday, 21 June 2022.

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

The AGM will be held on Friday, 10 June 2022. Notice of the AGM will be sent to shareholders in due course. For the purpose of determining Shareholder's eligibility to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 7 June 2022 to Friday, 10 June 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 6 June 2022.

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 Monday, 20 June 2022 to Tuesday, 21 June 2022, 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 Friday, 17 June 2022.

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the code provisions in the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code of corporate governance. The Board considers that the Company has complied with all the code provisions of the CG Code during the year ended 31 December 2021.

DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted the Model Code for Securities Transactions by directors of Listing Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Upon specific enquiries being made of all Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2021. The Group has established written guidelines for relevant employees in respect of securities transactions. No incident of non-compliance with the written guidelines was noted during the year ended 31 December 2021.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's shares.

EVENTS OCCURRING AFTER END OF 2021

There was no events after the reporting period that required to be disclosed.

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 2021 as set out in this announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on this announcement.

AUDIT COMMITTEE AND REVIEW ON THE ANNUAL RESULTS

The Company has established an Audit Committee on 12 October 2019 in compliance with the CG Code with written terms of reference. As at the date of this announcement, the Audit Committee has four members, namely Mr. See Tak Wah, Mr. Auyang Pak Hong Bernard, Mr. Lee Shing Tung Tommy and Mr. Andersen Dee Allen, 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 2021.

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 five members, Mr. Auyang Pak Hong Bernard (an independent non-executive Director), Mr. See Tak Wah (an independent non-executive Director), Mr. Lee Shing Tung Tommy (an independent non-executive Director), Mr. Andersen Dee Allen (an independent non-executive Director) and Mr. Szeto Chi Yan Stanley (an executive Director). Mr. Auyang Pak Hong Bernard is the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish, review and make recommendations to the Board on our Company's policy and structure concerning remuneration of the Directors and senior management, on the diversity policy of the Board and senior management, on the establishment of a formal and transparent procedure for developing policies concerning such remuneration, determine the terms of the specific remuneration package of each executive Director and senior management and review and approve performance-based remuneration by reference to corporate goals and objectives resolved by the Board from time to time.

NOMINATION COMMITTEE

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

PUBLICATION OF INFORMATION ON THE WEBSITE OF THE STOCK EXCHANGE

This announcement is published on the websites of the Company (www.leverstyle.com) and the Stock Exchange (www.hkexnews.hk), and the annual report of the Company for the year ended 31 December 2021 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 2022

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 executive Directors; (ii) Mr. Jonathan Lee Seliger as non-executive Director; and (iii) Mr. See Tak Wah, Mr. Auyang Pak Hong Bernard, Mr. Lee Shing Tung Tommy and Mr. Andersen Dee Allen as the independent non-executive Directors.