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**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 2023**

### **ANNUAL RESULTS**

The board (the “**Board**”) of directors (the “**Directors**”) 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 2023 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2022.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**  
*YEAR ENDED 31 DECEMBER 2023*

|                                                                               | <i>Notes</i> | <b>2023</b><br><i>US\$</i> | 2022<br><i>US\$</i> |
|-------------------------------------------------------------------------------|--------------|----------------------------|---------------------|
| REVENUE                                                                       | 3            | <b>208,529,489</b>         | 217,209,081         |
| Cost of sales                                                                 |              | <b>(148,646,874)</b>       | (155,633,800)       |
|                                                                               |              | <hr/>                      | <hr/>               |
| Gross profit                                                                  |              | <b>59,882,615</b>          | 61,575,281          |
| Other income                                                                  |              | <b>892,011</b>             | 563,549             |
| Other gains and losses, net                                                   |              | <b>(4,898)</b>             | (41,755)            |
| Impairment losses on trade receivables, net                                   |              | <b>(251,756)</b>           | (1,752,560)         |
| Impairment loss on intangible assets                                          |              | –                          | (2,846,406)         |
| Fair value change on contingent consideration                                 |              | –                          | 1,590,734           |
| Selling and distribution expenses                                             |              | <b>(21,875,946)</b>        | (22,307,915)        |
| Administrative expenses                                                       |              | <b>(20,123,331)</b>        | (17,915,251)        |
| Finance costs                                                                 |              | <b>(246,009)</b>           | (1,280,139)         |
|                                                                               |              | <hr/>                      | <hr/>               |
| PROFIT BEFORE TAX                                                             | 5            | <b>18,272,686</b>          | 17,585,538          |
| Income tax expense                                                            | 4            | <b>(2,659,826)</b>         | (3,072,199)         |
|                                                                               |              | <hr/>                      | <hr/>               |
| PROFIT FOR THE YEAR                                                           |              | <b>15,612,860</b>          | 14,513,339          |
|                                                                               |              | <hr/>                      | <hr/>               |
| <b>Other comprehensive loss</b>                                               |              |                            |                     |
| <i>Item that may be reclassified to profit or loss in subsequent periods:</i> |              |                            |                     |
| Exchange differences arising on translation of foreign operations             |              | <b>(128,804)</b>           | (550,950)           |
|                                                                               |              | <hr/>                      | <hr/>               |
| Total comprehensive income for the year                                       |              | <b>15,484,056</b>          | 13,962,389          |
|                                                                               |              | <hr/> <hr/>                | <hr/> <hr/>         |

|                                                                                              | <i>Notes</i> | <b>2023</b><br><i>US\$</i> | 2022<br><i>US\$</i> |
|----------------------------------------------------------------------------------------------|--------------|----------------------------|---------------------|
| Profit/(loss) for the year attributable to:                                                  |              |                            |                     |
| Owners of the parent                                                                         |              | <b>15,618,972</b>          | 14,517,391          |
| Non-controlling interests                                                                    |              | <b>(6,112)</b>             | (4,052)             |
|                                                                                              |              | <b>15,612,860</b>          | 14,513,339          |
| Total comprehensive income/(loss) attributable to:                                           |              |                            |                     |
| Owners of the parent                                                                         |              | <b>15,490,953</b>          | 13,966,315          |
| Non-controlling interests                                                                    |              | <b>(6,897)</b>             | (3,926)             |
|                                                                                              |              | <b>15,484,056</b>          | 13,962,389          |
| Earnings per share attributable to ordinary equity holders of the parent ( <i>US cents</i> ) |              |                            |                     |
| – Basic                                                                                      | 6            | <b>2.45</b>                | 2.28                |
| – Diluted                                                                                    |              | <b>2.45</b>                | 2.28                |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2023

|                                                                    | <i>Notes</i> | <b>2023</b><br><i>US\$</i>    | 2022<br><i>US\$</i>    |
|--------------------------------------------------------------------|--------------|-------------------------------|------------------------|
| <b>NON-CURRENT ASSETS</b>                                          |              |                               |                        |
| Plant and equipment                                                |              | <b>1,887,866</b>              | 1,862,520              |
| Right-of-use assets                                                |              | <b>1,475,393</b>              | 2,091,250              |
| Intangible assets                                                  |              | <b>1,732,107</b>              | 1,830,273              |
| Deposits and other receivables                                     |              | <b>1,275,649</b>              | 1,409,027              |
| Deferred tax assets                                                |              | <b>40,479</b>                 | 135,847                |
|                                                                    |              | <hr/>                         | <hr/>                  |
| Total non-current assets                                           |              | <b>6,411,494</b>              | 7,328,917              |
| <b>CURRENT ASSETS</b>                                              |              |                               |                        |
| Inventories                                                        |              | <b>16,289,093</b>             | 14,464,428             |
| Trade receivables                                                  | 8            | <b>38,698,894</b>             | 25,046,126             |
| Trade receivables at fair value through other comprehensive income |              | –                             | 1,036,043              |
| Deposits, prepayments and other receivables                        |              | <b>9,555,976</b>              | 19,631,739             |
| Derivative financial instruments                                   |              | <b>20,648</b>                 | –                      |
| Bank balances and cash                                             |              | <b>18,120,388</b>             | 23,523,515             |
|                                                                    |              | <hr/>                         | <hr/>                  |
| Total current assets                                               |              | <b>82,684,999</b>             | 83,701,851             |
| <b>CURRENT LIABILITIES</b>                                         |              |                               |                        |
| Trade payables                                                     | 9            | <b>18,892,797</b>             | 18,398,121             |
| Other payables and accruals                                        |              | <b>8,078,264</b>              | 6,292,726              |
| Contract liabilities                                               |              | <b>2,653,247</b>              | 2,991,529              |
| Lease liabilities                                                  |              | <b>975,865</b>                | 857,544                |
| Tax payable                                                        |              | <b>4,173,299</b>              | 2,483,393              |
| Derivative financial instruments                                   |              | –                             | 42,051                 |
| Bank borrowings                                                    |              | –                             | 10,727,160             |
|                                                                    |              | <hr/>                         | <hr/>                  |
| Total current liabilities                                          |              | <b>34,773,472</b>             | 41,792,524             |
| <b>NET CURRENT ASSETS</b>                                          |              | <hr/> <b>47,911,527</b> <hr/> | <hr/> 41,909,327 <hr/> |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                       |              | <hr/> <b>54,323,021</b> <hr/> | <hr/> 49,238,244 <hr/> |

|                                             | 2023<br>US\$      | 2022<br>US\$ |
|---------------------------------------------|-------------------|--------------|
| <b>NON-CURRENT LIABILITIES</b>              |                   |              |
| Lease liabilities                           | <b>689,167</b>    | 1,469,439    |
| Deferred tax liabilities                    | <b>76,784</b>     | 9,870        |
|                                             | <hr/>             | <hr/>        |
| Total non-current liabilities               | <b>765,951</b>    | 1,479,309    |
|                                             | <hr/>             | <hr/>        |
| Net assets                                  | <b>53,557,070</b> | 47,758,935   |
|                                             | <hr/> <hr/>       | <hr/> <hr/>  |
| <b>EQUITY</b>                               |                   |              |
| Share capital                               | <b>820,640</b>    | 820,640      |
| Shares held under share award scheme        | <b>(471,956)</b>  | (171,023)    |
| Reserves                                    | <b>53,208,386</b> | 47,070,169   |
|                                             | <hr/>             | <hr/>        |
| Equity attributable to owners of the parent | <b>53,557,070</b> | 47,719,786   |
| Non-controlling interests                   | <b>–</b>          | 39,149       |
|                                             | <hr/>             | <hr/>        |
| Total equity                                | <b>53,557,070</b> | 47,758,935   |
|                                             | <hr/> <hr/>       | <hr/> <hr/>  |

## 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 Company and its subsidiaries (collectively the “**Group**”) is Mr. SZETO Chi Yan Stanley (“**Mr. SZETO**”) (the “**Controlling Shareholder**”).

The Company is an investment holding company.

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

### 2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

In the current year, the Group has adopted the following new and revised 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 1 January 2023 for the preparation of the consolidated financial statements:

|                                                        |                                                                                             |
|--------------------------------------------------------|---------------------------------------------------------------------------------------------|
| HKFRS 17                                               | <i>Insurance Contracts</i>                                                                  |
| Amendments to HKAS 1 and<br>HKFRS Practice Statement 2 | <i>Disclosure of Accounting Policies</i>                                                    |
| Amendments to HKAS 8                                   | <i>Definition of Accounting Estimates</i>                                                   |
| Amendments to HKAS 12                                  | <i>Deferred Tax related to Assets and Liabilities arising from a<br/>Single Transaction</i> |
| Amendments to HKAS 12                                  | <i>International Tax Reform – Pillar Two Model Rules</i>                                    |

The adoption of new and revised 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 the consolidated financial statements.

### 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 obtain control of goods delivered.

The Group sells garment products to notable digitally native and conventional customers. Revenue is recognised when control of goods has been 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.

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.

#### 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.

|                            | 2023<br>US\$       | 2022<br>US\$       |
|----------------------------|--------------------|--------------------|
| United States of America   | 125,534,273        | 136,417,763        |
| Europe                     | 42,953,111         | 41,610,985         |
| Oceania                    | 25,849,028         | 16,665,860         |
| Greater China <sup>#</sup> | 2,217,246          | 8,705,122          |
| Others                     | 11,975,831         | 13,809,351         |
|                            | <hr/>              | <hr/>              |
| Total revenue              | <b>208,529,489</b> | <b>217,209,081</b> |

<sup>#</sup> Greater China primarily includes the Chinese Mainland, Hong Kong, Macau and Taiwan.

All of the Group's identifiable non-current assets are located in the Chinese Mainland 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 an individual customer contributing over 10% of the total revenue of the Group is as follows:

|            | 2023<br>US\$             | 2022<br>US\$             |
|------------|--------------------------|--------------------------|
| Customer A | <u><u>33,885,018</u></u> | <u><u>41,886,067</u></u> |

#### 4. INCOME TAX EXPENSE

|                                                 | 2023<br>US\$            | 2022<br>US\$            |
|-------------------------------------------------|-------------------------|-------------------------|
| Hong Kong Profits Tax:                          |                         |                         |
| – Current tax                                   | 2,343,880               | 3,039,800               |
| – Underprovision/(overprovision) in prior years | <u>33,973</u>           | <u>(47,032)</u>         |
|                                                 | <u>2,377,853</u>        | <u>2,992,768</u>        |
| PRC Enterprise Income Tax (“EIT”)               |                         |                         |
| – Current tax                                   | 119,691                 | 147,074                 |
| – Underprovision in prior years                 | <u>–</u>                | <u>5,440</u>            |
|                                                 | <u>119,691</u>          | <u>152,514</u>          |
| Deferred tax                                    | <u>162,282</u>          | <u>(73,083)</u>         |
| Total                                           | <u><u>2,659,826</u></u> | <u><u>3,072,199</u></u> |

Hong Kong profit tax for the current and prior years is calculated at 16.5% of the estimated assessable profits for the year, except for one subsidiary of the Group of Lever Style Limited which is a qualifying entity under the two-tiered profits tax rates regime. For this subsidiary, the first HK\$2,000,000 of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%.

Tax on profits assessable in the Chinese Mainland has been calculated at the applicable Chinese Mainland corporate income tax rate of 25% during the current and prior years, except for two subsidiaries of the Group. One of the Group's subsidiaries, 利華服飾智造(深圳)有限公司 is qualified as a Small Low-profit Enterprise with annual taxable income less than Renminbi (“RMB”) 3,000,000. The portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1,000,000 shall be computed at a reduced rate of 12.5% of taxable income amount and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1,000,000 but does not exceed RMB3,000,000 shall be computed at a reduced rate of 25% of taxable income amount, and be subject to enterprise income tax at 20% tax rate. The other subsidiary, 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) for the years ended 31 December 2022 and 2023.

Save as disclosed above, the Group is not subject to taxation in any other jurisdictions for the years ended 31 December 2022 and 2023.



## 5. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging/(crediting):

|                                                                                   | 2023<br>US\$      | 2022<br>US\$      |
|-----------------------------------------------------------------------------------|-------------------|-------------------|
| Directors' remuneration                                                           | 3,193,931         | 1,873,295         |
| Other staff costs                                                                 |                   |                   |
| – Salaries and other allowances                                                   | 15,141,274        | 14,388,486        |
| – Share based payment expense                                                     | 102,247           | 117,340           |
| – Redundancy cost                                                                 | 131,361           | 299,368           |
| – Retirement benefit scheme contributions                                         | 1,872,442         | 1,777,783         |
| Total staff costs                                                                 | <u>20,441,255</u> | <u>18,456,272</u> |
| Auditor's remuneration                                                            | 246,198           | 308,092           |
| Cost of inventories sold                                                          | 148,646,874       | 155,633,800       |
| Impairment loss on intangible assets                                              | –                 | 2,846,406         |
| Fair value change on contingent consideration                                     | –                 | (1,590,734)       |
| Depreciation of plant and equipment                                               | 479,146           | 528,460           |
| Depreciation of right-of-use assets                                               | 889,100           | 876,881           |
| Amortisation of intangible assets (included in selling and distribution expenses) | 98,166            | 442,351           |
| Expense relating to short-term leases                                             | <u>186,138</u>    | <u>217,544</u>    |

## 6. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

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

|                                                                                                                                                              | 2023<br>US\$       | 2022<br>US\$       |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|--------------------|
| <b>Earnings:</b>                                                                                                                                             |                    |                    |
| Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations                                  | <u>15,618,972</u>  | <u>14,517,391</u>  |
|                                                                                                                                                              | 2023               | 2022               |
| <b>Number of shares:</b>                                                                                                                                     |                    |                    |
| Weighted average number of ordinary shares in issue less shares held for share award scheme during the year used in the basic earnings per share calculation | 637,003,326        | 636,389,271        |
| Effect of dilution – weighted average number of ordinary shares: Share award scheme                                                                          | <u>1,308,372</u>   | <u>994,466</u>     |
| Number of shares used in diluted earnings per share calculation                                                                                              | <u>638,311,698</u> | <u>637,383,737</u> |

Shares purchased under the share award scheme are deducted from the total number of shares in issue for the purpose of calculating earnings per share.

## 7. DIVIDENDS

|                                                                                         | 2023<br>US\$            | 2022<br>US\$            |
|-----------------------------------------------------------------------------------------|-------------------------|-------------------------|
| 2023 interim dividend of HK3 cents (2022: Nil) per ordinary share                       | 2,445,111               | –                       |
| 2022 final dividend of HK8.5 cents per ordinary share<br>(2022: 2021 final HK2.5 cents) | <u>6,937,241</u>        | <u>2,036,316</u>        |
|                                                                                         | <u><b>9,382,352</b></u> | <u><b>2,036,316</b></u> |

Subsequent to the end of the reporting period, a final dividend of HK6 cents per ordinary share was proposed by the directors of the Company for the year ended 31 December 2023.

## 8. TRADE RECEIVABLES

|                                            | 2023<br>US\$             | 2022<br>US\$             |
|--------------------------------------------|--------------------------|--------------------------|
| Trade receivables                          | 40,810,198               | 26,909,046               |
| Less: allowance for expected credit losses | <u>(2,111,304)</u>       | <u>(1,862,920)</u>       |
|                                            | <u><b>38,698,894</b></u> | <u><b>25,046,126</b></u> |

The Group allows credit period of 30 to 60 days to its customers.

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

|               | 2023<br>US\$             | 2022<br>US\$             |
|---------------|--------------------------|--------------------------|
| 0 to 30 days  | 20,715,215               | 17,871,336               |
| 31 to 60 days | 15,457,440               | 4,676,576                |
| Over 60 days  | <u>2,526,239</u>         | <u>2,498,214</u>         |
|               | <u><b>38,698,894</b></u> | <u><b>25,046,126</b></u> |

## 9. TRADE PAYABLES

|                | 2023<br>US\$             | 2022<br>US\$             |
|----------------|--------------------------|--------------------------|
| Trade payables | <u><u>18,892,797</u></u> | <u><u>18,398,121</u></u> |

The credit period on trade payables was up to 60 days.

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

|               | 2023<br>US\$             | 2022<br>US\$             |
|---------------|--------------------------|--------------------------|
| 0 to 30 days  | 14,672,813               | 18,007,390               |
| 31 to 60 days | 3,286,878                | 43,055                   |
| Over 60 days  | <u>933,106</u>           | <u>347,676</u>           |
|               | <u><u>18,892,797</u></u> | <u><u>18,398,121</u></u> |

## 10. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified and re-presented to conform with the current year's presentation.

## **REVIEW AND FUTURE PROSPECTS**

### **Record Earnings and Growing Market Share**

After registering over 60% and 50% growth in 2021 and 2022 respectively, the revenue of the Group retreated 4.0% to US\$208.5 million for the Reporting Period of 2023. Despite the mild decline in revenue, net profit for the Reporting Period expanded 7.6% over the previous year to a record of US\$15.6 million. As of the end of the Reporting Period, the Group was debt-free and had a net cash position of US\$18.1 million, accounting for 33.8% of net asset value of US\$53.6 million.

During the supply chain disruption and the post-COVID rebound in apparel consumer demand in mid-2021 to mid-2022, brands and retailers were caught short on inventory. They therefore ordered inventory earlier and in higher quantities than optimistic forecasts of a prolonged demand rebound. When the supply chain disruption and the post-COVID rebound tapered off in mid-2022, ever increasing quantities of goods continued to flow in, and brands and retailers were stuck with a sea of inventory that they could not sell till future seasons. This wide-spread inventory glut seriously suppressed apparel brands' and retailers' buying appetite in 2023.

As a proxy, US apparel imports in 2023 plummeted 20% from 2022, according to the international trade administration database. Against this backdrop, our mild decline in revenue suggests that we continued to win market share, which bodes well for our competitive position going forward.

Compared to 2019 before the industry went into a wild bust-boom-bust ride, the Group's 2023 revenue has grown 70.9% while net profit has more than doubled.

### **Future Prospects**

With the inventory glut built up since mid-2022 slowly being worked through, most brands and retailers have healthier inventory positions now than they did a year ago, and many of them are resuming buying according to actual consumer demand. However, with high interest rates and the wobbly global economy, there are signs that consumer demand is slowing, the effects of which will reverberate up the supply chain. Several major economies such as the UK and Japan are already in recession, while Germany is likely in recession. If the US fails to achieve the coveted soft landing and goes into recession as well, there will be even more downside for demand.

Our unique asset-light production platform has enabled us to outperform the industry in recent years. However, soft global demand this year will make it difficult for us to organically replicate the outsized growth rates from 2021 and 2022. Therefore, we expect to turn to mergers and acquisitions as a key source of growth, as a difficult economy makes our versatile production platform's advantages more apparent, making it easier for apparel supply chain companies to see the benefit of joining forces with our platform and switching to our business model.

## **M&A Outlook**

For almost 2 years during the post-COVID rebound when most companies in the industry were feeling optimistic about the future, we focused on organic growth rather than acquisitions due to heightened valuation expectations. With 2023 being a very difficult year for the industry, and 2024 also appearing challenging, valuation expectations are becoming more realistic.

In September 2023, we did our first acquisition in almost two years when we acquired the assets, product knowhow and client base of Elegant Team Development Ltd. (“**ETD**”) for US\$4.8 million, representing approximately 12.7% discount to the net asset value of the transaction. ETD is a Hong Kong-based supplier of outdoor apparel for European brands and retailers such as Mammut and Jack Wolfskin. Although this business is expected to account for just less than 10% of our turnover in 2024, this acquisition is in line with our desire to expand our presence in the outdoor/active segment, which has been growing faster than the fashion segment that we have historically been known for. Sticking to our versatile asset-light business model, one of our key supply partners took over the legal ownership of ETD’s factory, which continues to produce for us but as part of an arms-length supply partner.

Going forward, we will continue to favor the outdoor/active segment when pursuing business combinations, although we will also target companies in the fashion segment that can bolster our product knowhow, scale, and/or production geographical footprint.

With the industry continuing to face headwinds in 2024, we hope to derive more growth from business combinations in 2024 and 2025 than in 2022 and 2023. With a healthy net cash balance, we are in strong financial position to accelerate our acquisition strategy.

## **Digitalization and Platformization Progress**

Working towards becoming the Uber of apparel supply chain, we have continued to make progress on digitalization and platformization.

We completed building our data warehouse that consolidates data from our operation systems. It is the foundation of our digitalisation, establishing the capability to conduct real-time business analyses and to develop proprietary applications to automate our business processes. We also developed a proprietary automated fabric booking system and implemented a customer relationship management (“**CRM**”) system to further digitalize the leads-to-customer lifecycle.

To “platformize” the business and make production portable amongst factories and countries, we are building out our centralized product development model that can issue clearly-defined work instructions to our production partners. And to make production costing brand agnostic, we are working with our production partners to standardize the calculation of product costing based on labor content, order volume and other key factors.

With the required investments in technology and personnel, digitalization and platformization will be a slight drag on our 2024 profitability. However, with the cost and agility benefits kicking in, we expect such efforts to be cost neutral in 2025, and accretive to growth and earnings in the long run.

### **Repositioning Management Team**

In line with our plan to attract and promote the next generation of leaders, our Chief Operation Officer, Mr. William Tan (“**William Tan**”) will succeed Dr. Chan Yuk Mau Eddie (“**Eddie Chan**”) as the Group’s Chief Executive Officer, effective from 1 April 2024. William Tan, who joined us in October 2022 from the fashion technology sector, will also be appointed an Executive Director of the Group, effective from 1 April 2024.

Eddie Chan will become Vice Chairman of the Group, effective from 1 April 2024. In anticipation of more M&A activities, Eddie Chan will transition his general management responsibilities to William Tan in order to focus on acquisition integrations and other strategic initiatives. We now have the luxury of helicoptering Eddie Chan in to integrate and manage sizable business combinations, especially those located in foreign geographies. Eddie Chan will remain an Executive Director of the Group.

### **Conclusion**

We are proud of what we achieved in 2023 despite the tremendous difficulty in the apparel industry. We are excited to embark on 2024 from a position of financial strength and with an enhanced management structure.

We hope acquisitions will help boost our growth going forward, and we expect the benefits of platformization and digitalization to become more tangible within this year. We hope M&A, platformization and digitalization will be our engines of growth in 2024 and 2025.

## **FINANCIAL REVIEW**

### **Revenue**

During the year of 2023, the fashion and apparel industry has been badly affected by consumer confidence, economic factors such as high interest rates, high inflation rates, energy costs hike, and geopolitical risks. Brand companies and retailers also held back on new product developments and orders as they focused their efforts on selling off excess inventory from the preceding year. Against this challenging backdrop, the Group was able to navigate with minimal disruption, through maintaining a high level of customer service, providing short lead time, and high-mix-low-volume solutions to help our customers better manage their inventories. Such competitive advantage allowed the Group to manage the general decline better, and on occasions, improving the share of wallet of our customers. The Group recorded revenue of approximately US\$208.5 million in 2023, representing an approximate 4.0% decrease from 2022 with revenue of approximately US\$217.2 million.

## **Cost of sales**

Our cost of sales mainly comprises material costs and subcontracting fees. Cost of sales decreased by approximately 4.5% from approximately US\$155.6 million in 2022 to approximately US\$148.6 million in 2023. Cost of sales as a percentage of total revenue decreased from approximately 71.7% in 2022 to approximately 71.3% in 2023.

## **Gross profit and gross profit margin**

Our gross profit decreased from approximately US\$61.6 million in 2022 to approximately US\$59.9 million in 2023, representing a drop of approximately 2.7%, along with the business decrease. Gross profit margin was maintained at a relatively stable level and slightly increased from approximately 28.3% in 2022 to approximately 28.7% in 2023.

## **Profit for the year**

The Group recorded a net profit of approximately US\$15.6 million for the year ended 31 December 2023, as compared to approximately US\$14.5 million for the year ended 31 December 2022. Achieving a historical high net profit in 2023 is a significant milestone for the Group by effectively managing our expenses and costs. This accomplishment reflects positive growth, increased efficiency, and strong financial performance.

Increase of approximately US\$1.1 million in net profit compared to 2022 was mainly attributable to the following factors:

- Selling and distribution expenses decreased from approximately US\$22.3 million in 2022 to approximately US\$21.9 million in 2023. This decline was due to the stabilization of freight costs, resulting in more efficient and cost-effective distribution operations;
- Administrative expenses increased from approximately US\$17.9 million in 2022 to about US\$20.1 million in 2023. This rise can be attributed to the Group's successful recruitment and filling of several key positions in 2023. Additionally, the Group has been actively investing in the continuous development and optimization of staff benefit program, aiming to retain and attract new talents to support growth and success; and
- Finance cost significantly dropped from approximately US\$1.3 million in 2022 to approximately US\$0.2 million in 2023 due to the strong cash position of the Group;

Our flexible asset-light business model is proven to be successful with such results and improvements. It also demonstrates the successful execution of business strategies and the ability to adapt to market conditions.

## **LIQUIDITY AND FINANCIAL RESOURCES**

Cash and cash equivalents of the Group as at 31 December 2023 were approximately US\$18.1 million (2022: US\$23.5 million). The Group had no borrowing at the end of 2023, resulting a net cash position of approximately of US\$18.1 million which was a historical high record, compared to approximately US\$12.8 million in 2022.

As at 31 December 2023, the Group had net current assets of approximately US\$47.9 million. Compared to approximately US\$41.9 million as at 31 December 2022, it represented an increase of approximately US\$6.0 million. The current ratio for 2023 was approximately 2.4 times whilst it was approximately 2.0 times for 2022 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 2023, the Group had available banking facilities of approximately US\$78.8 million which is considered sufficient for the Group's operation.

## **GEARING RATIO**

Equity attributable to the Company amounted to approximately US\$53.6 million at 31 December 2023 (2022: US\$47.8 million). As at 31 December 2023, the gearing ratio of the Group was approximately 0% (2022: 22.5%). Gearing ratio is calculated based on the total debts (bank borrowings) divided by the total equity at the end of the year. The decrease in gearing ratio for 2023 was mainly due to no bank borrowings at the end of the year.

With the favorable cash and cash equivalents position of the Group, it has led to a net debt to equity ratio (total debts net of cash and bank balances divided by total equity at end of year) of approximately -33.8% in 2023 (2022: -26.8%).

## **CONTINGENT LIABILITIES**

As at 31 December 2023, the Group had no material contingent liability (2022: Nil).

## **EMPLOYEES AND REMUNERATION**

As at 31 December 2023, the Group employed a total of 343 full-time employees (2022: 338 employees). For the year ended 31 December 2023, the aggregate remuneration of the Group's employees (including Directors' remuneration) remained stable at approximately US\$20.4 million (2022: US\$18.5 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 and co-ownership share award 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 HK6 cents (2022: HK8.5 cents) per ordinary share in total of approximately HK\$38.3 million (equivalent to approximately US\$4.9 million) for the year ended 31 December 2023, representing a distribution of approximately 31% of the Group's net profit for the year ended 31 December 2023.

The proposed final dividend payment is subject to approval by the shareholders of the Company at the forthcoming annual general meeting (“AGM”) to be held on Friday, 19 April 2024. If approved by shareholders of the Company, the proposed final dividend is expected to be paid on or before Tuesday, 30 April 2024 to shareholders of the Company whose names appear on the register of members of the Company on Friday, 26 April 2024.

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

The AGM will be held on Friday, 19 April 2024. Notice of the AGM will be sent to shareholders of the Company 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, 16 April 2024 to Friday, 19 April 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Monday, 15 April 2024.

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 Thursday, 25 April 2024 to Friday, 26 April 2024, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 24 April 2024.

## **CORPORATE GOVERNANCE PRACTICES**

The Company has adopted the code provisions in the Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 to Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) (formerly Appendix 14) 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 2023.

## **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 C3 to the Listing Rules (formerly Appendix 10) 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 2023. 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 2023.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

Apart from the Company’s shares purchased under the share-award scheme of the Company of 4 million shares, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s shares during the year ended 31 December 2023.

## **EVENTS OCCURRING AFTER END OF 2023**

There was no event after the Reporting Period that required to be disclosed.

## **SCOPE OF WORK OF ERNST & YOUNG**

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 2023 as set out in this preliminary announcement have been agreed by the Group’s auditor, Ernst & Young, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 11 March 2024. The work performed by Ernst & Young 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 Engagement issued by the Hong Kong Institute of Certified Public Accountants. and consequently no opinion or assurance conclusion has been expressed by Ernst & Young on this preliminary announcement.

## **AUDIT COMMITTEE AND REVIEW ON THE ANNUAL RESULTS**

The Company has established an Audit Committee on 12 October 2019 in compliance with the CG Code with written terms of reference. As at the date of this announcement, the Audit Committee has four members, namely Mr. SEE Tak Wah, Mr. ANDERSEN Dee Allen, Ms. KESEBI Lale, and Mr. LIU Gary, 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 2023.

## **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. ANDERSEN Dee Allen (an independent non-executive Director), Mr. SEE Tak Wah (an independent non-executive Director), Mr. SZETO Chi Yan Stanley (an executive Director), Ms. KESEBI Lale (an independent non-executive Director), and Mr. LIU Gary (an independent non-executive Director). Mr. ANDERSEN Dee Allen 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 five members, Mr. SZETO Chi Yan Stanley (an executive Director), Mr. SEE Tak Wah (an independent non-executive Director), Mr. ANDERSEN Dee Allen (an independent non-executive Director), Ms. KESEBI Lale (an independent non-executive Director) and Mr. LIU Gary (an independent non-executive Director). Mr. SZETO Chi Yan Stanley 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](http://www.leverstyle.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)), and the annual report of the Company for the year ended 31 December 2023 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, 11 March 2024

*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; and (ii) Mr. SEE Tak Wah, Mr. ANDERSEN Dee Allen, Ms. KESEBI Lale and Mr. LIU Gary as independent non-executive Directors.*