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Lever Style Corporation

利華控股集團

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1346)

DISCLOSEABLE TRANSACTION ACQUISITION OF ASSETS

THE ASSET PURCHASE AGREEMENT

The Board is pleased to announce that on 9 February 2021, after trading hours, the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Asset Purchase Agreement with the Vendors, pursuant to which, the Vendors have agreed to sell and the Purchaser has agreed to purchase the Assets at a consideration of US\$2,000,000 (equivalent to approximately HK\$15,600,000), subject to adjustment (as described below). It is expected that the maximum consideration will not exceed US\$2,200,000 (equivalent to approximately HK\$17,160,000).

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the purchase of the Assets exceed 5% but is less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

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ASSET PURCHASE AGREEMENT

Date

9 February 2021 (after trading hours)

Parties involved

Vendors: (1) Champion System Limited (卓世有限公司);
(2) Surplus Garment Limited (百盈製衣有限公司); and
(3) Bamlington Limited.

Purchaser: Lever Style Limited, an indirect wholly-owned subsidiary of the Company.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendors and their respective ultimate beneficial owner(s) are Independent Third Parties. Details of the ultimate beneficial owners are set out in the section headed "Information of the Vendors" below.

Subject matter

Pursuant to the Asset Purchase Agreement, the Vendors have agreed to sell and the Purchaser has agreed to acquire the Assets at a consideration of US\$2,000,000 (equivalent to approximately HK\$15,600,000). The Assets comprise mainly of (a) the Trade Account Receivables; (b) the Business Intellectual Property Rights; and (c) the Inventory.

In addition, pursuant to the Asset Purchase Agreement, the Purchaser shall terminate the employment contracts of the Transferred Employees effective on the Closing Date and the Vendors shall enter into new employment contracts with the Transferred Employees. The Purchaser shall assume the years of service of the Transferred Employees in accordance with the laws, rules and regulations of Hong Kong to the furthest extent possible.

Consideration

The consideration for the Assets shall be US\$2,000,000 (equivalent to approximately HK\$15,600,000), which shall be paid by the Purchaser to the Vendors in cash in the following manner (subject to adjustment as described below):

- (a) an amount of US\$400,000 (equivalent to approximately HK\$3,120,000) shall be paid by the Purchaser to Champion System Limited (on behalf of the Vendors) upon the signing of this Agreement;

- (b) an amount of US\$400,000 (equivalent to approximately HK\$3,120,000) shall be paid by the Purchaser to Champion System Limited (on behalf of the Vendors) upon Closing;
- (c) an amount of US\$400,000 (equivalent to approximately HK\$3,120,000) (subject to adjustment as described below) (the “**Third Payment**”) shall be payable by the Purchaser to Champion System Limited (on behalf of the Vendors) within 7 days upon finalization of the Trade Account Receivables and Final Inventory Spreadsheet; and
- (d) the Purchaser shall also pay to Champion System Limited (on behalf of the Vendors) an amount of US\$800,000 (equivalent to approximately HK\$6,240,000), together with the Third Payment.

The total consideration of US\$2,000,000 (equivalent to approximately HK\$15,600,000) was arrived after arm’s length negotiations between the Vendors and the Purchaser after taking into account the financial results of the Vendors for the year ended 31 December 2020 and attributing a valuation based on one-third of the average turnover of the Vendors for the two years ended 31 December 2019 and 31 December 2020.

It is expected that the maximum consideration, which is subject to adjustment as described below, will not exceed US\$2,200,000 (equivalent to approximately HK\$17,160,000). The consideration would be financed by the net proceeds received by the Company from its initial public offering on the Stock Exchange in November 2019 which was allocated for the purpose of expansion into additional apparel categories by acquisition(s).

Adjustment of the Third Payment

The Vendors shall (i) as soon as practicable after Closing (and in any event within 30 days after Closing) deliver to the Purchaser certified by the Vendors to be true and complete details of Trade Account Receivables; and (ii) deliver to the Purchaser a spreadsheet listing out the value of the Inventory (the “**Inventory Spreadsheet**”) within 7 days after Closing. The Parties shall discuss in good faith with a view to agreeing in writing on the figures set forth in the Inventory Spreadsheet with such amendments as are proposed by the Purchaser and agreed by the Vendors within 21 days upon receipt of the Inventory Spreadsheet by the Purchaser. The Parties shall then sign on the agreed and amended version of the Inventory Spreadsheet (“**Final Inventory Spreadsheet**”). The Trade Account Receivables and the figures in the Final Inventory Spreadsheet shall be adopted for the purpose of adjusting the Third Payment. The total consideration (after adjustment) is expected not to exceed US\$2,200,000 (equivalent to approximately HK\$17,160,000).

Conditions precedent

Closing is subject to and conditional upon, amongst other things, the following conditions being satisfied before the Long Stop Date:

- (a) the Purchaser being satisfied with the due diligence review on the Assets in its absolute discretion;

- (b) the Purchaser having obtained all necessary approvals and consents required by the Purchaser in entering into the Transaction including but not limited to those as required under the Listing Rules;
- (c) no legal or disciplinary proceedings being instituted or threatened against the Assets prior to Closing;
- (d) no statutes, regulations or decisions which would prohibit, restrict or materially delay the consummation of the Transaction contemplated hereunder having been proposed, enacted or taken by any government or official authority; and
- (e) the warranties as set out in the Asset Purchase Agreement remaining true, accurate and not misleading in all aspects up till the Closing Date.

The Purchaser may at its sole and absolute discretion waive conditions (a), (c), (d) or (e) above before the Long Stop Date. If any of the above conditions cannot be satisfied (or waived) on or before the Long Stop Date (except condition (b) which cannot be waived by the Purchaser), the Purchaser shall have the right to thereafter terminate this Agreement by written notice to the Vendors and this Agreement shall terminate and cease to have effect and the Vendors shall repay US\$400,000 in full to the Purchaser (without interest).

Closing

Closing shall take place on the Closing Date pursuant to which, the Assets shall be transferred to the Vendors by the Purchaser.

INFORMATION OF THE VENDORS

Champion System Limited is a company established in Hong Kong with limited liability and is principally engaged in the business of trading of custom technical apparel, including high performance cycling, running, triathlon, netball and casual apparel. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, it is ultimately controlled and beneficially owned by Shih Ming Tak Louis who is an Independent Third Party.

Surplus Garment Limited is a company established in Hong Kong with limited liability and is principally engaged in the business of trading of custom technical apparel, including high performance cycling, running, triathlon, netball and casual apparel. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, it is ultimately controlled and beneficially owned by Au Oi Kwan who is an Independent Third Party.

Bamlington Limited is a company established in the British Virgin Islands with limited liability and is principally engaged in the business of trading of custom technical apparel, including high performance cycling, running, triathlon, netball and casual apparel. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, it is ultimately controlled and beneficially owned by Shih Ming Tak Louis who is an Independent Third Party.

To the best of knowledge, information and belief of the Directors, the Vendors have been in the customer technical apparel business for over 15 years.

REASONS FOR ENTERING INTO THE ASSET PURCHASE AGREEMENT

The Group has been principally engaged in providing supply chain solutions in multiple apparel categories for notable brands.

The entering into of the Asset Purchase Agreement will enable the Company to further expand its apparel category portfolio by acquiring the Assets in relation to the production of custom technical apparel, including high performance cycling, running, triathlon, netball and casual apparel. The Board is of the view that this kind of technical product category requires special skill sets and technical know-how. The Transaction would enable the Company to acquire the technical knowledge accumulated by a recognized brand in the field of specialty apparel over a span of over 15 years. Furthermore, the Company's expansion into technical outerwear apparel products last year provided a foundation for the Company to expand into other technical product types, enabling it to broaden its clientele for technical products and achieve synergies such as cross-selling, so as to further strengthen its market position. The Board will stick to the strategy set out in the Company's prospectus dated 31 October 2019 and will continue to explore appropriate merger and acquisition opportunities to gain market share by further expanding its apparel category portfolio and to create incremental profitability by achieving synergies such as cross-selling and economies of scale.

The Directors (including the independent non-executive Directors) consider that the terms of the Asset Purchase Agreement are fair and reasonable and on normal commercial terms and that the entering into of the Asset Purchase Agreement is in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the purchase of the Assets exceed 5% but is less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings:

“Assets”	the Trade Account Receivables, the Business Intellectual Property Rights and the Inventory;
“Asset Purchase Agreement”	the asset purchase agreement dated 9 February 2021 entered into between the Vendors and the Purchaser in respect of the sale of Assets by the Vendors to the Purchaser from the Vendors to the Purchaser;
“Board”	board of Directors;
“Business Intellectual Property Rights”	all the intellectual property rights owed, used or held for use by any of the Vendors in, or in connection with, the trading of custom technical apparel, including all the trademarks registered under the name of Champion System Limited in Hong Kong, Canada, the European Union, Indonesia, Israel, Japan, Mexico, MM5 International Registration, New Zealand, the PRC, Russian Federation, Singapore, South Korea, Switzerland, Taiwan, Ukraine, Thailand, the United Kingdom (not including the Channel Islands), the United States of America;
“Closing”	completion of the transaction(s) contemplated under the Asset Purchase Agreement;
“Closing Date”	any business day on or before 31 May 2021 upon all conditions are fulfilled or waived and in any event no later than the Long Stop Date;
“Company”	Lever Style Corporation, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1346);
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules and the word “connected” shall be construed accordingly;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules;
“Inventory”	all raw materials, supplies, work in progress, parts and components, and finished goods held, used or owned by the Vendors in respect of the Products as at Closing Date, including, but not limited to, all related packaging material and supplies (including, without limitation, cartons and labels). As at 31 December 2020, the value of inventory of the Vendors amounted to approximately US\$414,720 (equivalent to approximately HK\$3,234,814);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	30 June 2021;
“Products”	custom technical apparel;
“Purchaser”	Lever Style Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	holder(s) of Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Trade Account Receivables”	the trade account receivables of the Vendors as at Closing Date. As at 31 December 2020, the value of the trade account receivables of the Vendors amounted to approximately US\$486,579 (equivalent to approximately HK\$3,795,318);
“Transaction”	the purchase of the Assets by the Purchaser as contemplated under the Asset Purchase Agreement;

“Transferred Employees”	certain employees of the Vendors who are and will be employed by the Vendors as at the Closing Date whose respective employment contracts will be terminated effective on the Closing Date and with whom the Purchaser will enter into new employment contracts in accordance with the terms of the Asset Purchase Agreement;
“US\$”	United States dollar, the lawful currency of the United States of America;
“Vendors”	collectively: <ol style="list-style-type: none"> (1) Champion System Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party; (2) Surplus Garment Limited, a company incorporated in Hong Kong with limited liability and an Independent Third Party; and (3) Bamlington Limited, a company incorporated in the British Virgin Islands with limited liability and an Independent Third Party;
“%”	per cent.

By order of the Board
Lever Style Corporation
Szeto Chi Yan Stanley
Chairman and Executive Director

Hong Kong, 9 February 2021

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