

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 12 October 2021, after trading hours, the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Asset Purchase Agreement with the Vendors and the Vendors’ Guarantors, pursuant to which, the Vendors have agreed to sell and the Purchaser has agreed to purchase the Assets at a consideration of US\$3,200,000 (equivalent to approximately HK\$24,960,000) and that the Vendors’ Guarantors agreed to irrevocably and unconditionally guarantee the payment obligations of the Vendors under the Asset Purchase Agreement on a joint and several basis.

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.

The Board is pleased to announce that on 12 October 2021, after trading hours, the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Asset Purchase Agreement with the Vendors and the Vendors’ Guarantors, pursuant to which, the Vendors have agreed to sell and the Purchaser has agreed to purchase the Assets at a consideration of US\$3,200,000 (equivalent to approximately HK\$24,960,000) and that the Vendors’ Guarantors agreed to irrevocably and unconditionally guarantee the payment obligations of the Vendors under the Asset Purchase Agreement on a joint and several basis. Set out below is a summary of the principal terms of the Asset Purchase Agreement.

ASSET PURCHASE AGREEMENT

Date

12 October 2021 (after trading hours)

Parties involved

- Vendors:
- (1) Seamless Solutions Limited;
 - (2) Accretion Limited; and
 - (3) Houze Science and Technology (Zhongshan City) Co., Ltd. (厚澤科技(中山市)有限公司).
- Vendors' Guarantors:
- (1) James Harvey Jessop;
 - (2) Thomas William Dalton Jessop;
 - (3) Sebastian George Dalton Jessop; and
 - (4) Benjamin Edward Dalton Jessop.
- 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, each of the Vendors and their respective ultimate beneficial owner(s) and the Vendors' Guarantors are Independent Third Parties. Details of the ultimate beneficial owner(s) of each of the Vendors 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.

In addition, pursuant to the Asset Purchase Agreement, the Vendors shall terminate the employment contracts of the Transferred Employees effective on the Closing Date and the Purchaser shall enter into new employment contracts with the Transferred Employees on terms as deemed appropriate by the Purchaser.

Consideration

The consideration shall be US\$3,200,000 (equivalent to approximately HK\$24,960,000), subject to a maximum additional payment of Additional Sums being US\$1,000,000 (equivalent to approximately HK\$7,800,000) as set out in the section headed "Profit Contribution"

below, which shall be paid by the Purchaser to the Vendors in cash upon signing of the Asset Purchase Agreement. The consideration was arrived at after arm's length negotiation between the Vendors and the Purchaser taking into account the future prospect of the business; in particular, with reference to (a) the Purchase Orders; (b) all Data and Records; (c) a non-exclusive licence right to use each of the Business IPs; and (d) a prepayment amount of approximately US\$3,000,000 (equivalent to approximately HK\$23,400,000) repayable by the Vendors subject to the future profitability of the business as set out in the section headed "Profit Contribution" below.

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).

Closing

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

Profit Contribution

Following the Closing Date, the Purchaser shall annually track the profits generated from the customers ("**Agreed List of Customers**") as agreed between the Vendors and the Purchaser and set out in the Asset Purchase Agreement and apply a percentage for the calculation of the vendors' profit contribution ("**Vendors' Profit Contribution**").

The Vendors' Profit Contribution shall be in the amount of 90%, 70%, 50%, 30% and 25% of the net profit after tax generated from the Agreed List of Customers ("**Net Profit After Tax**") respectively for the first period from Closing Date to 31 December 2022, and the ensuing periods of the second, third, fourth and fifth 12 calendar months thereafter (each a "**Period**"). Sales and expenses of the Sale Business shall be recorded by the Purchaser in a separate account ("**P&L**") and the Net Profit After Tax shall be computed based on data in the P&L using prevalent internal calculation methods adopted by the Purchaser.

In calculating the amount of the Vendors' Profit Contribution, 90% will be recorded from the Net Profit After Tax on the P&L from the Closing Date to 31 December 2022; 70% will be recorded for the year ending 31 December 2023; 50% will be recorded for the year ending 31 December 2024; 30% will be recorded for the year ending 31 December 2025; and 25% will be recorded for the year ending 31 December 2026. The total Vendors' Profit Contribution for the period of 2022 to 2026 (both years inclusive) ("**Relevant Period**") shall be calculated on cumulative basis ("**Total Profit Contributions**") and (A) at any time upon the Total Profit Contributions reaching the sum of US\$2,000,000, the Purchaser shall pay to the Vendors an additional sum of US\$500,000; and (B) at any time thereafter upon the Total Profit

Contributions reaching a further sum of US\$1,200,000, the Purchaser shall pay to the Vendors an additional sum of US\$500,000 such that:

- (a) the maximum Total Profit Contributions to be taken into account for computation of additional sums (“**Additional Sums**”) is US\$3,200,000;
- (b) the maximum aggregate amount of Additional Sums is US\$1,000,000; and
- (c) the Additional Sums, when payable, shall be paid on or before 30 June of the year following the year in which the Total Profit Contributions reach the threshold for the relevant additional payment.

The Purchaser shall calculate and record the Total Profit Contributions for the entire Relevant Period on 30 June 2027. At this date, if the Total Profit Contributions is less than the sum total of the US\$3,200,000 and any Additional Sums paid, the Vendors shall repay the Purchaser the difference in cash on or before 30 September 2027, but in any case, not exceeding the aggregate of US\$3,200,000 and any Additional Sums paid.

In the event that the Vendors are unable to pay any of the abovementioned sum, the Guarantors shall on a joint and several basis pay to the Purchaser on or before the due date.

Conditions Subsequent

Forthwith upon execution of the Asset Purchase Agreement, the Vendors and the Purchaser shall also jointly appoint an agent located in the PRC to handle and file the Licence Agreements to the relevant PRC government authorities as required under the relevant PRC laws and regulations. The costs of such agent and all registration fees and expenses incurred therein shall be borne by the Vendors and the Purchaser on a 50:50 basis. To the extent permitted by law Vendors further undertake to renew each and all the Business IPs upon the respective expiration validity period at their own costs and upon such renewal, to grant a non-exclusive right to the Purchaser (or any entity as nominated by the Purchaser) to use the Business IPs for the entire renewed validity period on the same terms as set out in the Licence Agreements.

Guarantee

In consideration of the entry by the Purchaser into the Asset Purchase Agreement, the Vendors’ Guarantors unconditionally and irrevocably undertake, on a joint and several basis, as primary obligors to the Purchaser the due and punctual performance of all moneys due payable by the Vendors to the Purchaser under the Asset Purchase Agreement.

INFORMATION OF THE VENDORS

Seamless Solutions Limited is a company established in Hong Kong with limited liability and is principally engaged in the business of trading the Products. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, it is ultimately controlled and beneficially owned as to 50% by James Harvey Jessop and 50% by Sebastian George Dalton Jessop who is each an Independent Third Party.

Accretion Limited is a company established in Hong Kong with limited liability and is principally engaged in the business of trading the Products. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, it is ultimately controlled and beneficially owned by Benjamin Edward Dalton Jessop who is an Independent Third Party.

Houze Science and Technology (Zhongshan City) Co., Ltd. (厚澤科技(中山市)有限公司) is a company established in the PRC with limited liability and is principally engaged in the business of trading the Products. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, it is owned as to approximately 95% by Accretion Limited and approximately 5% by 中山市佳宸信息諮詢有限公司 (Zhongshanshi Jiashen Information Consulting Limited*) which is in turn owned as to approximately 99% by 呂惠鈴 (Lu Huiling*) and approximately 1% by 康榮生 (Kang Yongshen*) who is each an Independent Third Party.

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 the Products, which are highly functional athleisure, activewear and intimate's garments with a focus on performance, fit and comfort for the wearer. 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 in the field of specialty apparel. Furthermore, the Company's expansion will further enable it to broaden its clientele for the 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:

“Asset Purchase Agreement”	the asset purchase agreement dated 12 October 2021 entered into between the Vendors, the Vendors’ Guarantors and the Purchaser in respect of the sale of Assets by the Vendors to the Purchaser;
“Assets”	(a) the Purchase Orders; (b) all Data and Records of the Sale Business; and (c) a non-exclusive licence right to use each of the Business IPs;
“Board”	board of Directors;
“Business IPs”	all the patents of Houze Science and Technology (Zhongshan City) Co., Ltd. (厚澤科技(中山市)有限公司) duly registered in the PRC with the following patent numbers: (i) ZL 2019 3 0134848.7; (ii) ZL 2019 3 0120417.5; (iii) ZL 2019 2 2211596.0; and (iv) ZL 2017 2 0660626.4;
“Closing”	completion of the transaction(s) contemplated under the Asset Purchase Agreement;
“Closing Date”	the date of the Asset Purchase Agreement;
“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;

“Data and Records”	the information, data and records, in soft and hard copies or whatever format readable by the Purchaser, pertaining to the business, financial, marketing service, stock (including price, safety stock level, cost, defective rates) and other data, records, information or particulars whatsoever reasonably relating to or in respect of the Assets owned, controlled, possessed, held for use, used or developed by the Vendors or its affiliates (to the extent they exist in the possession or control of the Vendors or their respective affiliates);
“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;
“Licence Agreement(s)”	the licence agreement(s) to be entered into between Houze Science and Technology (Zhongshan City) Co., Ltd. (厚澤科技(中山市)有限公司) and the Purchaser at Closing for granting the Purchaser a non-exclusive licence right to use the Business IPs;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China, and for the purposes of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan;
“Products”	finished garments completed in wearable condition;
“Purchase Orders”	the list of purchase orders of the Vendors in an aggregate amount of US\$1,244,406 as at Closing Date;
“Purchaser”	Lever Style Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;

“RMB”	Renminbi, the lawful currency of the PRC;
“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;
“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) Seamless Solutions Limited, a company established in Hong Kong with limited liability; (2) Accretion Limited, a company established in Hong Kong with limited liability; and (3) Houze Science and Technology (Zhongshan City) Co., Ltd. (厚澤科技(中山市)有限公司), a company established in the PRC with limited liability;
“Vendors’ Guarantors”	collectively: <ol style="list-style-type: none"> (1) James Harvey Jessop; (2) Thomas William Dalton Jessop; (3) Sebastian George Dalton Jessop; and (4) Benjamin Edward Dalton Jessop;

“%”

per cent.

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

Hong Kong, 12 October 2021

As at the date of this announcement, the Board comprises Mr. Szeto Chi Yan Stanley (Chairman), Dr. Chan Yuk Mau Eddie, Mr. Lee Yiu Ming and Mr. Jonathan Lee Seliger 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.

* *For identification purposes only*