

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 25 August 2020, after trading hours, the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Asset Purchase Agreement with the Vendor, pursuant to which, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Assets at a consideration of US\$4,418,470 (equivalent to approximately HK\$34,464,066), subject to adjustment (as described below), and it is expected the amount will not exceed US\$4,800,000 (equivalent to approximately HK\$37,440,000).

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Transaction 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 25 August 2020, after trading hours, the Purchaser (an indirect wholly-owned subsidiary of the Company) entered into the Asset Purchase Agreement with the Vendor, pursuant to which, the Vendor has agreed to sell and the Purchaser has agreed to purchase the Assets at a consideration of US\$4,418,470 (equivalent to approximately HK\$34,464,066), subject to adjustment (as described below), and it is expected the amount will not exceed US\$4,800,000 (equivalent to approximately HK\$37,440,000). Set out below are the principal terms of the Asset Purchase Agreement.

ASSET PURCHASE AGREEMENT

Date

25 August 2020 (after trading hours)

Parties involved

- (1) Liwaco Overseas Marketing Limited (瑞士利維高有限公司) as vendor; and
- (2) Lever Shirt Limited, an indirect wholly-owned subsidiary of the Company, as purchaser.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and its ultimate beneficial owner(s) are Independent Third Parties.

Subject matter

Pursuant to the Asset Purchase Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire the Assets at a consideration of US\$4,418,470 (equivalent to approximately HK\$34,464,066). The Assets comprise of (a) the Trade Account Receivables (the computation of the Trade Account Receivables shall be based upon the 31 July AR to be updated by the Vendor to reflect position as at Closing Date, based upon which the Adjusted Initial Payment shall be finalised in the paragraph headed "Adjustment of the Initial Payment" below); and (b) the Purchase Orders.

In addition, pursuant to the Asset Purchase Agreement, the Vendor shall take steps to terminate the employment contracts of the Transferred Employees upon Closing and the Purchaser 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 the PRC (as the case may be) to the furthest extent possible.

Consideration

The purchase price for the Trade Account Receivables shall be based on the total amount of 31 July AR, which is US\$4,418,470, and for the Purchase Orders shall be based on the aggregate of the FOB sales by the Vendor to its customers for the period between 1 August 2020 and 31 December 2020 (both days inclusive), which shall be paid by the Purchaser to the Vendor in cash in the following manner (subject to adjustment below):

- (a) an amount of US\$3,976,623 or 90% of the 31 July AR covered by ECIC (whichever is higher) within 1 business day upon the signing of the Asset Purchase Agreement;
- (b) US\$1,000,000 (prepayment for the Garment Costs) within 1 business day upon the signing of the Asset Purchase Agreement ("**Prepayment**" and together with (a) above, the "**Initial Payment**"); and

- (c) an amount of US\$441,847, being the remaining balance of the Purchase Price (“**Remaining Balance**”), shall be paid within 14 days upon the Purchaser having collected in full the Trade Account Receivables from customers and/or the Vendor for and on behalf of the customers.

The consideration of US\$4,418,470 (equivalent to approximately HK\$34,464,066) was arrived after arm’s length negotiations between the Vendor and the Purchaser after taking into account the value of the Assets. The consideration would be financed by the portion of 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 Initial Payment

The Initial Payment shall be adjusted in the following manner:

- (a) an amount equivalent to (i) the Trade Account Receivables received by the Vendor from its customers during the Interim Period and not yet paid to the Purchaser; and (ii) an amount equivalent to the value of 24.8% of the Purchase Orders which have been shipped and paid by the Vendor’s customers shall be deducted from the Initial Payment; and
- (b) 90% of the value of 75.2% of any Purchase Orders which have been shipped but remain unpaid by the customers shall be added to the Initial Payment (together with (a) above, the “**Adjusted Initial Payment**”).

For (b) above, the Purchaser shall pay the remaining balance of 10% upon receipt of full payment from customers under the Purchase Orders by the Vendor or the customers (as the case may be).

The Vendor shall as soon as practicable after Closing (and in any event within 30 days after Closing) deliver to the Purchaser certified by the Vendor to be true and complete details of Trade Account Receivables as at Closing Date. Both the Vendor and the Purchaser agree to use their respective reasonable endeavours to finalize the Adjusted Initial Payment within 30 days after the Closing Date. In the event that the Adjusted Initial Payment is larger than the Initial Payment, the Purchaser shall pay such difference to the Vendor within 7 days upon finalization of the Adjusted Initial Payment and in the event that the Adjusted Initial Payment is smaller than the Initial Payment, the Vendor shall make good such difference to the Purchaser within 7 days upon finalization of the Adjusted Initial Payment.

Arrangements in respect of the Purchase Orders

The Vendor and the Purchaser agree that, in relation to the Purchase Orders, subject to the Adjusted Initial Payment above, the Purchaser shall pay to the Vendor an amount equivalent to difference between (i) the Garment Costs and (ii) the Prepayment, upon receipt of the payments under the Purchase Orders in full from its customers provided that the following conditions are satisfied:

- (a) the amount received by the Purchaser from customers in respect of the Purchase Orders having exceeded the Prepayment; and
- (b) the Purchaser having received in full the amounts under the Trade Account Receivables.

In the event that the Purchaser cannot collect in full the Trade Account Receivables after 15 days in accordance with the relevant trading terms agreed between the Vendor and the Vendor's customers, the Purchaser shall be entitled to deduct such outstanding amount from the Remaining Balance and if the Remaining Balance is not sufficient to cover such outstanding amount, the Purchaser shall be further entitled to set off the outstanding amount against the Garment Costs payable to the Vendor, up to such outstanding amount, under the relevant Trade Account Receivables.

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 known to be 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 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 the Asset Purchase Agreement by written notice to the Vendor and the Asset Purchase Agreement shall terminate and cease to have effect.

Closing

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

INFORMATION OF THE VENDOR

The Vendor is a company established in Hong Kong with limited liability and is principally engaged in the business of technical outerwear with well-recognized worldwide brands. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner(s) are Independent Third Parties.

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 technical outerwear for well-known worldwide brands, providing a foundation for the Company to expand its business, as well as cross-selling among its clients, and 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 Transaction 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:

“31 July AR”	the trade account receivables of the Vendor as at 31 July 2020;
“Asset Purchase Agreement”	the asset purchase agreement dated 25 August 2020 entered into between the Vendor and the Purchaser in respect of the sale of Assets by the Vendor to the Purchaser;
“Assets”	the Trade Account Receivables and the Purchase Orders;
“Board”	board of Directors;
“Closing”	completion of the transaction(s) contemplated under the Asset Purchase Agreement;
“Closing Date”	the date of this Agreement if all the conditions precedent are fulfilled or waived or otherwise the next business day following the date on which all conditions precedent are fulfilled or waived before the Long Stop Date or such other date as the Vendor and the Purchaser may mutually agree in writing;
“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;
“ECIC”	The Hong Kong Export Credit Insurance Corporation;
“Garment Costs”	75.2% of the value of the Purchase Orders;

“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;
“Interim Period”	the period from (and including) 1 August 2020 up to (and including) the Closing Date;
“IPO Proceeds”	the net proceeds received by the Company from its initial public offering on the Stock Exchange in November 2019;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Long Stop Date”	26 August 2020;
“PRC”	the People’s Republic of China;
“Purchase Orders”	the list of purchase orders of the Vendor in an aggregate amount of US\$11,110,932, being the FOB sales by the Vendor to its customers for the period between 1 August 2020 and 31 December 2020 (both days inclusive);
“Purchaser”	Lever Shirt Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company;
“Trade Account Receivables”	the trade account receivables of the Vendor as at Closing Date;
“Transaction”	the purchase of the Assets by the Purchaser as contemplated under the Asset Purchase Agreement;
“Transferred Employees”	certain employees of the Vendor who are employed by the Vendor as of Closing Date in which the Vendor shall take steps to terminate their respective employment contracts upon Closing and with whom the Purchaser will enter into new employment contracts in accordance with the terms of the Asset Purchase Agreement;

“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;
“US\$”	United States dollar, the lawful currency of the United States of America;
“Vendor”	Liwaco Overseas Marketing Limited (瑞士利維高有限公司), a company incorporated in Hong Kong 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, 25 August 2020

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.