

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited 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.



CHINA LEON INSPECTION HOLDING LIMITED

中国力鸿检验控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1586)

DISCLOSEABLE TRANSACTION ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF THE TARGET COMPANY

DISCLOSEABLE TRANSACTION

The Board announces that on 8 May 2019, the Purchaser, a subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor for the purchase of the entire issued share capital of the Target Company at the Consideration of US\$3,750,000 (equivalent to approximately HK\$29,396,250).

LISTING RULES IMPLICATIONS

As one or more of the relevant applicable percentage ratio(s) in respect of the Acquisition, calculated pursuant to Rule 14.07 of the Listing Rules, is/are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

INTRODUCTION

The Board announces that on 8 May 2019, the Purchaser, a subsidiary of the Company, entered into the Sale and Purchase Agreement with the Vendor for the purchase of the entire issued share capital of the Target Company at the Consideration of US\$3,750,000 (equivalent to approximately HK\$29,396,250).

THE SALE AND PURCHASE AGREEMENT

Date

8 May 2019

Parties

- (1) Purchaser: Leon Overseas Pte. Ltd. (a subsidiary of the Company); and
- (2) Vendor: Saybolt Holding BV

To the best knowledge, information and belief of the Board and after making all reasonable enquiries, each of the Vendor and its ultimate beneficial owner(s) is a third party independent of and not connected with the Company and its connected persons.

Subject Matter

Pursuant to the Sale and Purchase Agreement, the Vendor conditionally agreed to sell and the Purchaser conditionally agreed to purchase the entire issued share capital of the Target Company at the Consideration of US\$3,750,000 (equivalent to approximately HK\$29,396,250). As at the date of the announcement, the Vendor is the legal and beneficial owner of the entire issued share capital of the Target Company.

Consideration

The Consideration is US\$3,750,000 (equivalent to approximately HK\$29,396,250) and was determined and agreed between the parties to the Sale and Purchase Agreement after arm's length negotiations taking into account the financial performance and position, business outlook and future prospects of the Target Company.

Pursuant to the Sale and Purchase Agreement, the Purchaser shall pay the Consideration in cash to the Vendor in the following manner:

- (1) 80% of the Consideration, being US\$3,000,000 (equivalent to approximately HK\$23,517,000) shall be paid upon Completion; and
- (2) the balance of the Consideration, being US\$750,000 (equivalent to approximately HK\$5,879,250) shall be paid within 12 months from the date of Completion.

The Consideration will be satisfied by the Group's internal resources.

Conditions Precedent

The Completion is conditional upon:

- (1) all approvals, consents, and/or waivers as may be necessary from any third party, governmental or regulatory body or relevant competent authority, bank or financial institution for the sale and purchase of the entire issued capital of the Target Company being granted or obtained, and being in full force and effect and not having been withdrawn, suspended, amended, or revoked;
- (2) the execution and performance of the Sale and Purchase Agreement by the parties not being prohibited, restricted, curtailed, hindered, impaired or otherwise adversely affected by any relevant statute, order, rule, directive or regulation promulgated by any legislative, executive or regulatory body or authority; and
- (3) all warranties provided by the Purchaser and Vendor in respect of the Sale and Purchase Agreement being complied with, true, accurate and correct as at the date of the Sale and Purchase Agreement and each day up to and including the date of Completion.

Completion

The Completion shall take place on 15 May 2019 (or such other date to be agreed by the parties in writing).

Upon Completion, the Target Company will become a subsidiary of the Company and its financial results will be consolidated into the accounts of the Group.

INFORMATION OF THE PARTIES

The Company and the Purchaser

The Company is incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Group is principally engaged in provision of inspection and testing services.

The Purchaser is a company registered under the laws of the Republic of Singapore and is principally engaged in provision of cargo surveying services including commodities inspection and testing as well as shipping agencies including ship handling and marine services in Singapore. It is a subsidiary of the Company.

Information of the Vendor

The Vendor is a company incorporated in the Netherlands and is principally engaged in inspection, testing, blending, training and consultancy services in relation to crude oil, biofuel, petroleum, petro-chemical and gas products.

The Saybolt brand was established since 1898, and their clients and partners include major oil companies, chemical industries, traders, shippers, buyers and insurance interests. It is also specialised in representing governmental institutions and international organizations, such as the European Union and the United Nations and their specialized agencies and programs.

Information of the Target Company

The Target Company is a company incorporated in the Republic of Singapore and is principally engaged in technical testing and analysis services (including certification of products and services) for laboratory testing and inspection of bulk cargoes of oil, gas, chemicals and bunkers.

Set out below is the financial information of the Target Company for the two years ended 31 December 2018 prepared according to the generally accepted accounting principles in the United States of America:

	For the year ended 31 December	
	2018	2017
	<i>SG\$'000</i>	<i>SG\$'000</i>
	(unaudited)	(audited)
Net loss before tax	677	607
Net loss after tax	584	541

The total asset value and total liability value of the Target Company as at 31 December 2018 were approximately SG\$4,250,825 and SG\$2,092,504 respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in provision of inspection and testing services and is an international third-party independent inspection and testing service provider. The Directors consider that the Acquisition represents a good opportunity to expand the Group's services to cover laboratory testing and inspection of bulk cargoes of oil, gas, chemicals and bunkers in Singapore, Malaysia, Indonesia and the surrounding territory which marks the further expansion of the Group's diversified business development.

In 2018, the Group entered into an acquisition contract with the Vendor to acquire 100% interest in each of Saybolt (Tianjin) Metrology & Inspection Co., Ltd. and Leon Overseas (Hong Kong) Limited. This transaction has marked the Group's major milestone in globalization and diversification, which allowed the Group to successfully venture into the petroleum business in the Greater China Region. The Directors believe that the Acquisition could bring a synergy to the Group's related business divisions in reducing costs and expand the service network for the Group's global customers. The Directors also consider that the Acquisition is in line with the Group's business growth and expansion strategies.

The Directors, including the independent non-executive Directors, consider that the terms of the Sale and Purchase Agreement are on normal commercial terms, fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATION

As one or more of the relevant applicable percentage ratio(s) in respect of the Acquisition, calculated pursuant to Rule 14.07 of the Listing Rules, is/are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the notification and announcement requirements under the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the entire issued share capital of the Target Company by the Purchaser from the Vendor pursuant to the terms and and subject to the conditions of the Sale and Purchase Agreement
“Board”	the board of Directors
“Company”	China Leon Inspection Holding Limited（中國力鴻檢驗控股有限公司），a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange (stock code: 1586)
“Completion”	completion of the Acquisition in accordance with the Sale and Purchase Agreement
“connected person(s)”	has the meaning as ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Acquisition, being US\$3,750,000
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended or supplemented from time to time
“PRC” or “China”	the People’s Republic of China
“Purchaser”	Leon Overseas Pte. Ltd., a limited company registered under the laws of the Republic of Singapore and a subsidiary of the Company as at the date of this announcement
“Sale and Purchase Agreement”	the agreement dated 8 May 2019 entered into between the Purchaser and the Vendor in relation to the Acquisition
“SG\$”	Singapore dollar(s), the lawful currency of the Republic of Singapore
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning as ascribed thereto under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Target Company”	Saybolt (Singapore) Pte Ltd., a company incorporated in the Republic of Singapore
“US\$”	US dollar(s), the lawful currency of the United States of America
“Vendor”	Saybolt Holding BV, a company incorporated in the Netherlands
“%”	per cent

By order of the Board
China Leon Inspection Holding Limited
Yang Rongbing
Executive Director

Beijing, PRC, 8 May 2019

As at the date of this announcement, the Board comprises eight Directors, namely Mr. Li Xiangli, Ms. Zhang Aiyang, Mr. Liu Yi and Mr. Yang Rongbing as executive Directors; Mr. Wang Gang as non-executive Director; and Mr. Wang Zichen, Mr. Zhao Hong and Mr. Liu Hoi Keung as independent non-executive Directors.

* *for the purpose of this announcement, the conversion of USD into HK\$ is based on the approximate exchange rate of US\$1.000=HK\$7.839*