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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)

PROPOSED ISSUE OF CONVERTIBLE BONDS

On 12 May 2021 (after trading hours), the Company entered into the conditional CB Subscription Agreement with the Subscriber, pursuant to which the Subscriber has conditionally agreed to subscribe for and the Company has conditionally agreed to issue the Convertible Bonds.

The initial Conversion Price represents (i) a premium of approximately 5.16% over the closing price of HK\$1.550 per Share as quoted on the Stock Exchange on 12 May 2021, being the date of the CB Subscription Agreement; and (ii) a premium of approximately 7.66% over the average of the closing prices of HK\$1.514 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding 12 May 2021, being the date of the CB Subscription Agreement. The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account of, among others, the recent trading performance of the Shares. The Directors consider that the Conversion Price and the terms and conditions of the CB Subscription Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

On the assumption that the Convertible Bonds would be converted into Conversion Shares in full at the initial Conversion Price, the 30,674,846 Conversion Shares represent approximately 7.67% of the existing issued share capital of the Company and approximately 7.12% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares.

CB SUBSCRIPTION AGREEMENT

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Date: 12 May 2021 (after trading hours)

Parties:

- (i) The Company as issuer
- (ii) The Subscriber as subscriber

The Subscriber

The Subscriber is an open-end investment company incorporated in the Cayman Islands with limited liability. It is managed by RAYS Capital Partners Limited, an Independent Third Party, licensed to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

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

Principal Terms of the Convertible Bonds

Issuer: The Company

Status: The Convertible Bonds constitute general and unsecured obligations of the Company and rank equally among themselves and pari passu with all other present and future unsecured and unsubordinated obligations of the Company.

Principal Amount: HK\$50,000,000

Issue Price: 100% of the principal amount of HK\$50,000,000 in cash

Coupon: 2% per annum payable in arrears annually

Maturity Date: The fifth anniversary of the date of issue of the Convertible Bonds

Conversion Price:

The Convertible Bonds shall be converted at the Conversion Price. Upon issue of the Convertible Bonds, the initial Conversion Price will be HK\$1.63 per Conversion Share

The Conversion Price shall be adjusted as provided in the Convertible Bonds instrument in each of the following cases:

- (i) an alteration of the number of the Shares by reason of any consolidation or subdivision;
- (ii) an issue (other than in lieu of a cash dividend) by the Company of Shares credited as fully paid by way of capitalisation of profits or reserves (including any share premium account, contributed surplus account or capital redemption reserve fund); For the avoidance of doubt, the adjustment is applicable to the proposed issue of bonus shares by the Company as announced in its annual results announcement dated 31 March 2021;
- (iii) a capital distribution (as defined in the Convertible Bonds instrument) being made by the Company, whether on a reduction of capital or otherwise, to holders of the Shares in their capacity as such;
- (iv) an offer or grant being made by the Company to holders of Shares by way of rights or of options or warrants to subscribe for new Shares at a price which is less than 95 per cent. of the market price;
- (v) an issue wholly for cash or for reduction of liabilities being made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares, if in any case the total effective consideration per Share (as defined in the Convertible Bonds instrument) initially receivable (or in the case of reduction in liabilities, the amount of liabilities to be reduced) for such securities is less than 95 per cent. of the market price, or the terms of any such rights of conversion or exchange or subscription attached to any such securities being modified so that the said total effective consideration per Share initially receivable for such securities is less than 95 per cent. of the market price;

- (vi) an issue being made by the Company wholly for cash or for reduction of liabilities of Shares at a price per Share less than 95 per cent. of the market price;
- (vii) an issue being made by the Company of Shares for the acquisition of asset at a total effective consideration per Share (as defined in the Convertible Bonds instrument) less than 95 per cent. of the market price; and
- (viii) an issue wholly made by the Company of securities convertible into or exchangeable for or carrying rights of subscription for new Shares for the acquisition of asset, if in any case the total effective consideration per Share (as defined in the Convertible Bonds instrument) initially receivable for such securities is less than 95 per cent. of the market price.

Conversion Rights:

The holder of the Convertible Bonds shall have the right to convert their Convertible Bonds at the principal amount into Shares during the Conversion Period at the Conversion Price in effect on the Conversion Date, provided that (i) any conversion of the Convertible Bonds does not result in the holders of the Convertible Bonds and/or the parties acting in concert with any of them and/or their respective associates being interested in such percentage as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer obligation under Rule 26 of the Takeovers Code on the part of the holder of the Convertible Bonds which exercised the conversion rights); and (ii) any conversion of the Convertible Bonds does not result in the public float of the Shares being less than 25% (or any given percentage as required by the Listing Rules) of the issued Shares of the Company

Conversion Period:

The holder of the Convertible Bonds will have the right to convert the whole or part of the principal amount of the Convertible Bonds into Conversion Shares from the date falling six months of the date of issue of the Convertible Bonds to up to and including the date which is 3 days prior to the Maturity Date (or if the Maturity Date is not a Business Day, the Business Day immediately preceding the Maturity Date) (the “**Conversion Period**”)

Redemption Amount:	The Company shall, on the Maturity Date, redeem the then outstanding Convertible Bonds, at 130% of the then outstanding principal amount of those Convertible Bonds or any part thereof together with outstanding interest accrued thereon
Bondholder's early redemption rights:	The Bondholder(s) shall have the right at its option, to require the Company to redeem all or part of the Convertible Bonds together with any then outstanding unpaid interest by giving the Company a notice of redemption in accordance with the terms of the Convertible Bonds on the dates, including third anniversary, the day falling three years and six months, the fourth anniversary and the day falling four years and six months of the issue date of the Convertible Bonds with redemption price at 118%, 121%, 124% and 127% of the outstanding principal amount of the Convertible Bonds respectively.
Voting:	The Bondholder shall not be entitled to attend or vote at any meetings of the Company by reason only of it being a holder of the Convertible Bonds
Listing:	<p>No application will be made for the listing of the Convertible Bonds on the Stock Exchange or any other stock exchange.</p> <p>Application will be made to the Stock Exchange for the listing of and permission to deal in the Conversion Shares to be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds.</p>
Transferability:	The Convertible Bonds may be assigned or transferred to any transferee subject to prior notification to the Company. The Convertible Bonds may not be assigned or transferred to any connected person of the Company (as defined under the Listing Rules) without prior written consent of the Company.

Based on the initial Conversion Price of HK\$1.63 per Conversion Share, a maximum number of 30,674,846 Conversion Shares will be allotted and issued upon exercise of the conversion rights attached to the Convertible Bonds in full, which represent: (i) approximately 7.67% of the issued share capital of the Company as at the date of this announcement; and (ii) approximately 7.12% of the issued share capital of the Company as to be enlarged by the allotment and issue of the Conversion Shares to be allotted and issued upon the exercise of the conversion rights attaching to the Convertible Bonds in full.

The Conversion Shares will rank pari passu in all respects with the Shares in issue as at the date of allotment and issue of the Conversion Shares.

Conversion Price

The initial Conversion Price of HK\$1.63 per Conversion Share represents:

- (i) a premium of approximately 5.16% over the closing price of HK\$1.550 per Share as quoted on the Stock Exchange on 12 May 2021, being the date of the CB Subscription Agreement; and
- (ii) a premium of approximately 7.66% over the average of the closing prices of HK\$1.514 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding 12 May 2021, being the date of the CB Subscription Agreement.

The net Conversion Price, after deduction of relevant expenses, is approximately HK\$1.62 per Conversion Share.

The Conversion Price was arrived at after arm's length negotiations between the Company and the Subscriber, taking into account of, among others, the recent trading performance of the Shares. The Directors consider that the Conversion Price and the terms and conditions of the Subscription Agreement and the Convertible Bonds are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Mandate to issue the Conversion Shares

The Conversion Shares will be allotted and issued pursuant to the General Mandate at the annual general meeting of the Company held on 16 June 2020 subject to the threshold of 80,000,000 Shares (representing approximately 20% of the number of Shares of the Company in issue as at 16 June 2020). Immediately before the date of the CB Subscription Agreement, the General Mandate has not been utilized. On the initial conversion price of HK\$1.63 per Conversion Shares, 30,674,846 Conversion Shares will be allotted and issued upon full exercise of the conversion rights attaching to the Convertible Bonds, which will utilise about 38.34% of the General Mandate.

Conditions of the CB Subscription

The CB Subscription is conditional upon:

- (a) the Listing Committee of the Stock Exchange having approved or agree to approve the issue of the Convertible Bonds either unconditionally or subject to conditions to which none of the Company and the Subscriber shall reasonably object and the satisfaction of such conditions (if required);
- (b) the Listing Committee of the Stock Exchange having granted or agree to grant (either unconditionally or subject to conditions to which none of the Company and the Subscriber shall reasonably object) the approval for the listing of, and permission to deal in, the Conversion Shares which may fall to be allotted and issued upon the exercise of the conversion rights attached to the Convertible Bonds, and such approval not having been revoked;
- (c) the warranties set out in the CB Subscription Agreement being true, accurate and not misleading in all material respects;
- (d) the Shares remaining listed and traded on the Stock Exchange at all times and no indication being received from the Stock Exchange to the effect that the listing of the Shares on the Stock Exchange will or may be withdrawn or object to (or conditions will or may be attached thereto) in connection with the terms of the CB Subscription Agreement; and
- (e) any necessary approvals, consents and/or waivers by the relevant governmental or regulatory authorities or bodies, whether in Hong Kong or elsewhere (including but not limited to the Stock Exchange) in favour of the Company for the CB Subscription Agreement and the transactions contemplated hereunder having been obtained, and such approval, consent and/or waiver not having been revoked.

Save for condition precedent (c) which can be waived by the Subscriber at its sole discretion, none of the above conditions precedent can be waived. In the event that the conditions of the CB Subscription are not fulfilled and/or waived on or before 18 June 2021 or such other date as may be agreed between the parties to the CB Subscription Agreement, the CB Subscription Agreement shall cease and determine and neither the Company nor the Subscriber shall have any obligations and liabilities under the CB Subscription Agreement.

As at the date of this announcement, none of the above conditions precedent has been fulfilled.

Completion of the CB Subscription

Completion of the CB Subscription will take place within three Business Days after the conditions of the CB Subscription are fulfilled and/or waived (or such other date as may be agreed between the parties to the CB Subscription Agreement).

Application for listing

Application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Conversion Shares. No application will be made for listing of, or permission to deal in, the Convertible Bonds on the Stock Exchange or any other stock exchange.

REASONS FOR THE PROPOSED ISSUE OF CONVERTIBLE BONDS

As an international independent inspection and testing company, the Company provides customers with professional testing, inspection, certification, consultation and related technical services round the clock globally. Building on the Company's two key business areas, namely energy and commodity, and by fully leveraging its leading advantages in different segments and economies of scale, the Company has expanded the service scope to power generation. We launched new inspection services in clean energy field, especially focusing on the solar and wind power projects. The Company also provides environmental monitoring and testing services including ecological monitoring, soil testing, environmental technology consultation and assessment and carbon neutrality.

The Subscriber's interest in making an investment into the Group reflects its confidence in the Group's business and growth potential. The Directors (including the independent non-executive Directors) are of the view that the raising of funds by the issue of the Convertible Bonds will enhance the Group's capital structure and liquidity, strengthen the Group's financial position, broaden the capital base of the Group and to finance the Group's future development and expansion.

The Directors consider that the issue of the Convertible Bonds is an effective means of raising additional capital since (i) it will not have an immediate dilution effect on the shareholding of the existing Shareholders; and (ii) in the event that the Convertible Bonds are converted into Shares, the Company can broaden its capital base, benefiting the long-term development of the Company.

The gross proceeds of the CB Subscription are approximately HK\$50,000,000. The net proceeds from the issue of the Convertible Bonds will be approximately HK\$49.6 million. The Company intends to use the net proceeds to accelerate the implementation of the Group's 2+X sustainable growth strategy. The number "2" of the 2+X strategy represents the Group's energy and commodities inspection and testing services; while the "X" represents the expected areas of future growth of the Group, focusing on renewable energy with long-term growth potential and other TIC related areas that can promote sustainable development such as carbon neutrality and other ESG-related services. The Group will further strengthen our competitive advantage in the field of energy and commodities inspection and testing, leveraging on our leading market position and focusing our resources on the three key business areas; (i) clean energy inspection and testing, (ii) general inspection and testing; and (iii) inspection and testing services in emerging industry.

The Directors consider that the terms of the CB Subscription Agreement were arrived at arm's length negotiations between the Company and the Subscriber, and the transactions contemplated thereunder (including the Conversion Price) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

The Company has not conducted any other equity fund raising activities in the past twelve months immediately preceding the date of this announcement.

DEFINITIONS

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

"AGM"	the annual general meeting of the Company convened and held on 16 June 2020 to approve, among other things, the grant of the General Mandate
"Board"	the board of Directors
"Bondholder(s)"	the holder(s) of the Convertible Bonds
"Business Day"	a day (other than a Saturday, Sunday and public holiday or days on which a tropical cyclone having no.8 or above or a black rainstorm having signal is hoisted or in effect in Hong Kong at any time between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which banks are generally open for business in Hong Kong

“Company”	China Leon Inspection Holding Limited, 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
“connected person(s)”	has the meaning ascribed to this term under the Listing Rules
“CB Subscription”	the subscription for the Convertible Bonds by the Subscriber pursuant to the terms and condition of the CB Subscription Agreement
“CB Subscription Agreement”	the conditional agreement dated 12 May 2021 and entered into between the Company and the Subscriber in respect of the CB Subscription
“Conversion Price”	the conversion price per Conversion Share and initially at HK\$1.63 per Conversion Share (subject to adjustments)
“Conversion Shares”	the Shares to be allotted and issued upon conversion of the Convertible Bonds
“Convertible Bonds”	the 5-year 2% coupon unlisted Convertible Bonds in principal amount of HK\$50,000,000 to be issued by the Company in accordance with the terms of the CB Subscription Agreement
“Director(s)”	directors of the Company
“General Mandate”	the general mandate granted to the Directors at the AGM held on 16 June 2020, pursuant to which a maximum of 80,000,000 new Shares may fall to be allotted and issued
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	any person(s) or company(ies) and their respective ultimate beneficial owner(s) whom, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Company and the connected persons of the Company

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Share(s)”	ordinary share(s) of US\$0.00005 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Asian Equity Special Opportunities Portfolio Master Fund Limited, an open-end investment company incorporated in the Cayman Islands with limited liability and the subscriber to the CB Subscription Agreement
“HK\$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

By Order of the Board
Chine Leon Inspection Holding Limited
Yang Rongbing
Executive Director

Hong Kong, 12 May 2021

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