
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Leon Inspection Holding Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.



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)

- (1) PROPOSED GRANT OF SHARE OPTIONS BEYOND THE SCHEME
MANDATE LIMIT;
(2) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT; AND
(3) NOTICE OF EGM**
-

A letter from the Board is set out on pages 3 to 14 of this circular.

A notice convening the EGM of China Leon Inspection Holding Limited to be held at Conference Room, 2/F, Building No. 77-78, Zhuyuan Road, No. 12 District, Tianzhu Free Trade Zone, Beijing, PRC on Wednesday, 29 September 2021 at 2:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the websites of The Stock Exchange of Hong Kong Limited (www.hkexnews.hk) and the Company (www.leontest.com) respectively.

Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited, at Shops 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof (as the case maybe). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting should you so wish.

This circular is in English and Chinese. In case of any inconsistency, the English version shall prevail.

9 September 2021

CONTENT

	<i>Page</i>
PRECAUTIONARY MEASURES FOR THE EGM	ii
DEFINITIONS	1
LETTER FROM THE BOARD	3
APPENDIX I – LETTER FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS	I-1
NOTICE OF EGM	EGM-1

PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature check will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue.
- (ii) The Company encourages attendees to wear surgical face masks inside the EGM venue at all times, and to maintain a safe distance between seats.
- (iii) No refreshments will be served, and there will be no corporate gifts.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders' health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

DEFINITIONS

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

“associates”	has the same meaning ascribed thereto under the Listing Rules
“Board”	the board of the Directors
“Bonus Issue”	the issue of Bonus Shares on the basis of one (1) Bonus Share for every ten (10) existing Shares held on 5 July 2021 by the Shareholders, which was completed on 16 July 2021
“Bonus Share(s)”	the new Share(s) to be allotted, issued and credited as fully paid-up Shares under the Bonus Issue
“Company”	China Leon Inspection Holding Limited (中國力鴻檢驗控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on 29 July 2015
“Date of Grant”	15 July 2021
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held at Conference Room, 2/F, Building No. 77-78, Zhuyuan Road, No. 12 District, Tianzhu Free Trade Zone, Beijing, PRC on Wednesday, 29 September at 2:00 p.m. to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages EGM-1 to EGM-2 of this circular, or any adjournment thereof
“Grantees”	certain eligible persons
“Group”	the Company and its subsidiaries
“Independent Shareholders”	in the case of the proposed grant of Share Options to Mr. Li, Ms. Zhang and Mr. Liu, the Shareholders other than Mr. Li, Ms. Zhang and Mr. Liu and their respective associate(s) and all the core connected person(s) of the Company
“Latest Practicable Date”	3 September 2021, being the latest practicable date to ascertain certain information contained herein before the printing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Mr. Li”	Mr. Li Xiangli, Executive Director, Chairman, Chief Executive Officer and a substantial shareholder of the Company
“Mr. Liu”	Mr. Liu Yi, Executive Director, Vice President and a substantial shareholder of the Company
“Mr. Yang”	Mr. Yang Rongbing, Executive Director and Vice Chairman of the Company
“Ms. Zhang”	Ms. Zhang Aiyong, Executive Director, Vice President and a substantial shareholder of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Scheme Mandate Limit”	the maximum number of Shares that may be issued upon the exercise of all Share Options granted and to be granted under the Share Option Scheme
“Shareholder(s)”	holder(s) of the Share(s)
“Share Options”	share option(s) granted and to be granted to eligible participants under the Share Option Scheme
“Share Option Scheme”	the share option scheme adopted by the Company on 5 May 2017
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. LI Xiangli (*Chairman and CEO*)
Ms. ZHANG Aiyang (*Vice President*)
Mr. LIU Yi (*Vice President*)
Mr. YANG Rongbing (*Vice Chairman*)

Non-executive Director:

Mr. WANG Gang

Independent non-executive Directors:

Mr. WANG Zichen
Mr. ZHAO Hong
Mr. LIU Hoi Keung

Registered Office:

Windward 3
Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

*Headquarters and Principal Place of
Business in the PRC:*

Building No. 77-78
Zhuyuan Road
No. 12 District
Tianzhu Free Trade Zone
Beijing, China

9 September 2021

To the Shareholders

Dear Sir or Madam,

**(1) PROPOSED GRANT OF SHARE OPTIONS BEYOND THE SCHEME
MANDATE LIMIT;
(2) PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT; AND
(3) NOTICE OF EGM**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 15 July 2021. The purpose of this circular is to provide you with (i) information in respect of the proposed grant of Share Options to Mr. Li, Ms. Zhang and Mr. Liu; (ii) information in respect of the proposed refreshment of the Scheme Mandate Limit; (iii) the recommendations of the Board, including all the independent non-executive Directors, in relation to the proposed grant of Shares Options to Mr. Li, Ms. Zhang and Mr. Liu; and (iv) the notice of the EGM.

LETTER FROM THE BOARD

2. EXISTING SCHEME MANDATE LIMIT

The Company adopted the Share Option Scheme on 7 May 2017. Apart from the Share Option Scheme, the Company has no other share option scheme currently in force as at the Latest Practicable Date.

Details of the Share Options granted under the Share Option Scheme are set out below:

Date of Grant	Exercise Price	Number of Share Options granted	Number of Share Options exercised	Number of Share Options cancelled	Number of Options lapsed (Note 1)	Categories of Grantees	Grantees' contributions to the Company	Number of additional granted as a result of the Bonus Issue	Number of Share Options outstanding
4 July 2017	HK\$1.28 adjusted to HK\$1.164 as a result of the Bonus Issue	8,000,000	3,192,000	-	1,540,000	34 employees of the Group	Contribution as employees	337,200	3,621,200
23 July 2018	HK\$1.414 adjusted to HK\$1.285 as a result of the Bonus Issue	3,000,000	-	-	-	Mr. Yang (who has been re-designated from an independent non-executive Director as an executive Director and appointed as the vice chairman of the Company with effect from 23 July 2018)	Mr. Yang is mainly responsible for corporate strategies, capital planning, internal control and compliance of the Group.	300,000	3,300,000 -
15 July 2021	HK\$2.14	26,600,000	-	-	-	107 employees of the Group	Contribution as employees	NA	26,600,000
Total:		37,600,000	3,192,000	-	1,540,000			673,200	33,521,200

Note:

- The Share Options had lapsed in accordance with the terms of the Share Option Scheme due to certain holders of the Share Options ceasing to be employees of the Group.

As at the Latest Practicable Date, the Company had granted a total of 37,600,000 Share Options, of which 3,192,000 Share Options had been exercised, no Share Options had been cancelled, 1,540,000 Share Options had lapsed and 33,521,200 Share Options remained outstanding. As at the Latest Practicable Date, the total number of Share Options granted by the Company after reduction of the total number of Share Options lapsed under the Share Option Scheme was 36,060,000. Further, as a result of the Bonus Issue, additional 637,200 share options were granted. Therefore, only 3,302,800 Share Options were available to be granted under the existing Scheme Mandate Limit as at the Latest Practicable Date.

LETTER FROM THE BOARD

3. PROPOSED GRANT OF SHARE OPTIONS

Reference is made to the announcement of the Company dated 15 July 2021. On 15 July 2021, the Board had resolved to grant the Share Options to the Grantees to subscribe for a total of up to 36,100,000 Share pursuant to the Share Options Scheme, out of which the grant of the 26,600,000 Share Options is within the then Scheme Mandate Limit and is not subject to the approval by the Shareholders in general meeting.

Pursuant to Note 1 to Rule 17.03(3) of the Listing Rules and Clause 8.1 of the Share Option Scheme, the Company may seek separate approval by the Shareholders in general meeting for granting Share Options beyond the Scheme Mandate Limit provided the Share Options in excess of the Scheme Mandate Limit are granted only to Grantees specifically identified by the Company before such approval is sought. As there is only a balance of 3,302,800 Share Options available to be granted under the existing Scheme Mandate Limit as at the Latest Practicable Date, the grant of 9,500,000 Share Options to Mr. Li, Ms. Zhang and Mr. Liu (each of them being a substantial shareholder) is beyond the Scheme Mandate Limit and is subject to the approval by the Shareholders of the Company at an EGM.

Details of the Share Options granted to Mr. Li, Ms. Zhang and Mr. Liu are as follows:

Date of Grant	:	15 July 2021
Exercise price of the Share Options	:	HK\$2.14 per Share, which is the highest of: <ol style="list-style-type: none">(1) the closing price of HK\$2.14 per Share as stated in the Stock Exchange on the Date of Grant;(2) the average closing price of HK\$2.094 per Share as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the Date of Grant; and(3) the nominal value of US\$0.00005 per Share.
Number of the Share Options granted	:	9,500,000 Share Options, of which 4,000,000 Share Options to Mr. Li; 2,500,000 Share Options to Ms. Zhang; and 3,000,000 Share Options to Mr. Liu. Each Share Option shall entitle the holder of the Share Option to subscribe for one Share.
Validity period of the Share Options	:	The Share Options are exercisable for a period of five years commencing from the vesting date and expiring at the close of business on the last day of the five-year period.

LETTER FROM THE BOARD

- Vesting condition and exercise period of the Share Options : Not more than 30% of the Share Options will be vested on 15 July 2022;
- Not more than 30% of the Share Options will be vested on 15 July 2023; and
- Not more than 40% of the Share Options will be vested on 15 July 2024.
- Acceptance of the Share Options : Upon acceptance of the proposed grant of Share Options, Mr. Li, Ms. Zhang and Mr. Liu shall pay RMB1 to the Company as consideration for the grant.
- Rights of the Share Options : The Shares to be allotted and issued upon the exercise of the Share Options will be subject to the articles of association of the Company and will rank pari passu among themselves and with the fully-paid Shares in issue as from the date of allotment, including voting rights, entitlement to dividends, transfer and other rights (including those arising on liquidation of the Company). The Share Options themselves, however, do not carry any right to voting, dividend, transfer or other rights (including those arising on the liquidation of the Company) prior to their being exercised and the underlying Shares being issued

Each grant of the Share Options to the Mr. Li, Ms Zhang and Mr. Liu has been approved by the independent non-executive Directors in accordance with Rule 17.04(1) of the Listing Rules on 15 July 2021. Each of Mr. Li, Ms. Zhang, Mr. Liu and Mr. Yang has abstained from voting on the relevant resolution in relation to the granting of the Share Options to each of Mr. Li, Ms Zhang and Mr. Liu at the Board meeting.

Conditions of the proposed grant of Share Options

The proposed grant of Share Options is conditional upon:

- (i) the Shareholders passing an ordinary resolution to approve the proposed grant of Share Options at the EGM; and
- (ii) the Stock Exchange granting the approval for the listing of and permission to deal in the Shares that may be issued pursuant to the exercise of the Share Options that may be granted under the proposed grant of Share Options.

Application will be made to the Stock Exchange for the listing of and permission to deal in the Shares that may be issued upon the exercise of the Share Options that may be granted under the proposed grant of Share Options.

LETTER FROM THE BOARD

Reasons for the proposed grant of Share Options to Mr. Li, Ms. Zhang and Mr. Liu

The purposes of this Share Options incentive are: (i) to further enhance the corporate governance structure and long-term incentive scheme of the Company; (ii) to promote sustainable development as well as attract and retain outstanding talents; (iii) to fully encourage the enthusiasm, sense of responsibility and mission of the Company's key management and operation teams; (iv) to safeguard the best interests of Shareholders, as well as better align the interests of all stakeholders and effectively motivate key individuals in line with their contributions; and (v) to balance the focus of Company's long-term and short-term goals so as to ensure the Company's long-term sustainable development.

Mr. Li, Ms. Zhang and Mr. Liu's contributions to the Group

Mr. Li (an executive Director, the Chairman, the Chief Executive Officer and a substantial Shareholder), Ms. Zhang (an executive Director, a Vice President and a substantial Shareholder) and Mr. Liu (an executive Director, Vice President and a substantial Shareholder) are the founders of the Group. They have managed and led the Group since its establishment and have endeavored to generate sustainable long-term value for Shareholders. All of them have extensive experience in the energy and commodity inspection industry and play a key role in the development of the Group. In particular:–

- Mr. Li is primarily responsible for the overall management of our Group. With his 31 years of experience in the energy testing and inspection field, he possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. His role is instrumental in improving the Company's efficiency in decision-making, execution and effectively capturing business opportunities. The Board believes that Mr. Li's vision and leadership are essential for the Company to fulfil its strategic plan and the Board wishes to ensure that Mr. Li is highly motivated to continue to lead the Company to success.
- Ms. Zhang has over 18 years of experience in energy field and is primarily responsible for overall business management, overall management of the procurement, human resources departments and the corporate social responsibility (including the environmental, social and governance) of our Group. The Board values Ms. Zhang's contributions and wishes to ensure that Ms. Zhang is highly motivated to continue to lead the Company with Mr. Li to help it to succeed and grow.
- Mr. Liu has approximately 32 years of experience in the energy testing and inspection field. He is primarily responsible for overall management of quality control, brand building and corporate governance of the Group. The Board believes that Mr. Liu's contribution is essential to the Group and the Board wishes to ensure that Mr. Liu is highly motivated to continue to lead our teams to maintain lasting and good partnership with major customers.

LETTER FROM THE BOARD

The basis of determining the terms and conditions of the proposed grant of Share Options to Mr. Li, Ms. Zhang and Mr. Liu

The proposed grant of Shares Options to Mr. Li, Ms. Zhang and Mr. Liu has been reviewed and approved by the Company's Remuneration Committee. Pursuant to the terms of reference of the Remuneration Committee, the Remuneration Committee is delegated with the responsibility to make recommendations to the Board on the remuneration packages of individual executive directors and senior management of the Company, including benefits in kind, pension rights and compensation payments. In carrying out its duties under the terms of reference, the Remuneration Committee should consider factors as follows: (a) provide the remuneration packages sufficient to attract and retain directors to run the Company successfully without paying more than is necessary; (b) be sensitive to the wider scene, including pay and employment conditions elsewhere, especially when determining annual salary increases; (c) ensure that the performance-related elements of remuneration form a significant proportion of the total remuneration package of executive directors of the Company and should be designed to align their interest with those of shareholders and to give these directors keen incentives to perform at the highest levels; and (d) ensure that executive share options (if any) are offered in accordance with the Listing Rules.

The proposed grant of Share Options represents the long-term incentive portion of Mr. Li, Ms. Zhang and Mr. Liu's remuneration package, supplementing each of their annual cash compensation. The Board agreed upon the grant of 9,500,000 Share Options (representing 2.14% of the total number of Shares in issue as at the Latest Practicable Date) having considered each of their contribution to the Group as set out in the preceding paragraphs and that the proposed grant of Share Options can incentivize each of them without imposing as substantial a financial burden on the Group as cash compensation and would better align each of Mr. Li, Ms. Zhang and Mr. Liu's incentives with those of the Shareholders. The Board believes that the proposed grant of Share Options is a recognition of each of Mr. Li, Ms. Zhang and Mr. Liu's past and future contribution to the Group and their continued roles in delivering value to the Shareholders.

Suitability of the proposed grant of Share Options as the preferred way to incentivize the Grantee

The Board has considered other means to incentivize Mr. Li, Ms. Zhang and Mr. Liu, such as increasing the cash component of their remuneration package. However, these other means will increase the Group's expenditure and impose a greater financial burden on the Group. Further, the proposed grant of Share Options has a unique advantage of being able to retain Mr. Li, Ms. Zhang and Mr. Liu on a longer-term basis, by tying each of their compensation with the operational performance of the Company and aligning each of their interests with those of the Shareholders. The proposed grant of Share Options enables the Group to preserve its cash resources for business expansion while serving the purpose to reward and incentivize Mr. Li, Ms. Zhang and Mr. Liu by complementing their remuneration package.

Based on the reasons aforesaid, the Board and the Remuneration Committee believe that the proposed grant of Share Options is an appropriate way to incentivize and encourage the ongoing service of Mr. Li, Ms. Zhang and Mr. Liu in achieving improvement of the Group's financial position and performance, which is fair and reasonable and in the interests of the Company and Shareholders as a whole.

LETTER FROM THE BOARD

As at the Latest Practicable Date, no valuation of the Share Options proposed to be granted to Mr. Li, Ms. Zhang and Mr. Liu under the Share Option Scheme was made by the Company as the Company considered the value of such Share Options was insignificant to warrant an independent valuation.

Having considered their past contribution to the Group, the Board is of the view that it would be fair to recognize each of their contribution to the Company and their entitlement to Share Options shall not be excluded because of their own interest as the substantial shareholder of the Company. Granting Share Options also provides incentive as well as alignment with the medium and long-term goals of the Company. The Board considers the grant of the Share Options to them would be incentive for their continuing commitment and contribution to the Group in the future. Out of 36,100,000 Share Options granted by the Board on 15 July 2021, only 9,500,000 Share Options in aggregate (approximately 26.3%) are granted to Mr. Li, Ms. Zhang and Mr. Liu, which the Board considers such number of Share Options granted to Mr. Li, Ms. Zhang and Mr. Liu to be fair and reasonable.

4. PROPOSED REFRESHMENT OF SCHEME MANDATE LIMIT

The Company adopted the Share Option Scheme on 7 May 2017. Apart from the Share Option Scheme, the Company has no other share option scheme currently in force as at the Latest Practicable Date.

The life of the Share Option Scheme is 10 years from its adoption date (i.e. from 5 May 2017 to 4 May 2027). However, as mentioned above, only 3,302,800 Share Options were available to be granted under the existing Scheme Mandate Limit as at the Latest Practicable Date. Therefore, resolution(s) to approve the proposed refreshment of Scheme Mandate Limit would also be presented to the Shareholders for approval at the EGM.

Pursuant to Note 1 to Rule 17.03(3) of the Listing Rules and the rules of the Share Option Scheme, the Company may seek approval by its Shareholders in general meeting for refreshing the Scheme Mandate Limit. However, the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of the Shareholders' approval. Share Options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those exercised, outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes) will not be counted for the purpose of calculating the Scheme Mandate Limit as refreshed.

As at the Latest Practicable Date, there were 443,500,800 Shares in issue. Assuming that no new Shares will be issued prior to the EGM, the maximum number of Share Options that can be granted by the Company under the proposed refreshed Scheme Mandate Limit would be 44,350,080 Shares, being 10% of the total number of Shares in issue as at the date of passing the resolution approving the proposed refreshment of Scheme Mandate Limit at the EGM.

LETTER FROM THE BOARD

Pursuant to the Listing Rules, the Shares which may be issued upon exercise of all outstanding Share Options granted and yet to be exercised under the Share Option Scheme or other schemes at any time will not exceed 30% of the Shares in issue from time to time. The Board undertakes that no Share Options shall be granted under the Share Option Scheme or any other scheme(s) of the Company if this will result in the 30% limit being exceeded.

Assuming that the Refreshment of the Scheme Mandate Limit is to be approved, the number of Shares that may be issued under the Share Option Scheme will be 87,371,280 Shares (comprising 44,350,080 Shares to be allotted and issued upon exercise of the Share Options to be granted under the refreshed Scheme Mandate Limit, and 33,521,200 Shares to be allotted and issued upon full exercise of the outstanding Share Options under the Share Option Scheme), representing approximately 19.70% of the number of Shares in issue as at the Latest Practicable Date, and is within the 30% limit in issue from time to time as required under the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the proposed refreshment of Scheme Mandate Limit. Accordingly, no Shareholder is required to abstain from voting at the EGM on the relevant resolution in respect of the proposed refreshment of Scheme Mandate Limit.

Conditions of the proposed refreshment of Scheme Mandate Limit

The proposed refreshment of Scheme Mandate Limit is conditional upon:

- (i) the Shareholders passing an ordinary resolution to approve the proposed refreshment of Scheme Mandate Limit at the EGM; and
- (ii) the Stock Exchange granting the approval for the listing of and permission to deal in the Shares that may be issued pursuant to the exercise of the Share Options that may be granted under the proposed refreshed Scheme Mandate Limit.

Application will be made to the Stock Exchange for the listing of and permission to deal in the Shares that may be issued upon the exercise of the Share Options that may be granted under the proposed refreshed Scheme Mandate Limit.

Reasons for the proposed refreshment of the Scheme Mandate Limit

Unless the Scheme Mandate Limit is refreshed, only 3,302,800 Share Options may be granted under the Share Option Scheme. The Board is of the view that the proposed refreshment of the Scheme Mandate Limit will allow the Company more flexibility to motivate the eligible participants to strive for future developments and expansion of the Group, attract and retain or otherwise maintain ongoing business relationship with the eligible participants whose contributions are, will or expected to be beneficial to the Group. Therefore, the Board considers that the proposed refreshment of the Scheme Mandate Limit is in the interests of the Group and the Shareholders as a whole. It will also serve as incentive to encourage the eligible participants to perform their best in achieving the goals of the Group and allow them to enjoy the results of the Group attained through their efforts and contributions.

LETTER FROM THE BOARD

Save as disclosed in this circular, as at the Latest Practicable Date, the Company has no immediate plan and is not contemplating granting any Share Options in the near future following the proposed refreshment of Scheme Mandate Limit.

Listing Rules implications

Pursuant to the Note to Rule 17.03(4) of the Listing Rules and the rules of the Share Option Scheme, where any grant of share options to a participant would result in the shares issued and to be issued upon exercise of all share options granted and to be granted to such person (including exercised, cancelled and outstanding share options) in the 12-month period up to and including the date of such grant representing in aggregate over 1% of the shares in issue, such grant of share options must be separately approved by shareholders of the Company in general meeting with such participant and his close associates (or his associates if the participant is a connected person) abstaining from voting.

Pursuant to Rule 17.04(1) of the Listing Rules and the rules of the Share Option Scheme, any grant of share options to a substantial shareholder or an independent non-executive director of the Company, or any of their respective associates, which would result in the shares issued and to be issued upon exercise of all share options already granted and to be granted (including options exercised, cancelled and outstanding) to such person in the 12-month period up to and including the date of such grant (i) representing in aggregate over 0.1% of the shares in issue; and (ii) having an aggregate value, based on the closing price of the shares at the date of each grant, in excess of HK\$5 million, such further grant of share options must be approved by shareholders of the Company. The grantee, his associates and all core connected persons of the Company must abstain from voting in favour at such general meeting.

Given that (a) the grant of Share Options will result in the Shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to each of Mr. Li, Ms. Zhang and Mr. Liu collectively in the 12-month period up to and including the Date of Grant representing in aggregate over 1% of the Shares in issue pursuant to Note to Rule 17.03(4) of the Listing Rules; and (b) the grant of Share Options will result in the Shares issued and to be issued upon exercise of all share options already granted and to be granted (including share options exercised, cancelled and outstanding) to each of Mr. Li, Ms. Zhang and Mr. Liu, collectively in the 12-month period up to and including the Date of Grant representing in aggregate over 0.1% of the Shares in issue and having an aggregate value, based on the closing price of the Shares at the Date of Grant, in excess of HK\$5,000,000 pursuant to Rule 17.04(1) of the Listing Rules, the grant of Share Options to each of Mr. Li, Ms. Zhang and Mr. Liu shall be approved by the Shareholders of the Company at the EGM at which Mr. Li, Ms. Zhang and Mr. Liu, his/her associate (as defined under the Listing Rules) and all core connected persons (as defined under the Listing Rules) of the Company shall abstain from voting in favor of the relevant resolution approving the grant of Share Options.

Pursuant to Note 1 to Rule 17.03(3) of the Listing Rules and Clause 8.1 of the Share Option Scheme, the Company may seek separate approval by the Shareholders in general meeting for granting Share Options beyond the Scheme Mandate Limit provided the Share Options in excess of the Scheme Mandate Limit are granted only to Grantees specifically identified by the Company before such approval is sought.

LETTER FROM THE BOARD

As a result, the grant of 9,500,000 Share Options to Mr. Li, Ms. Zhang and Mr. Liu (each of them being a substantial shareholder) is subject to the approval by the Shareholders of the Company at the EGM with Mr. Li, Ms. Zhang and Mr. Liu, his/her associate (as defined under the Listing Rules) and all core connected persons (as defined under the Listing Rules) of the Company abstaining from voting in accordance with the Listing Rules.

As at the Latest Practicable Date, the Company has no plan to to grant further options under the refreshed Scheme Mandate Limit.

Application will be made to the Stock Exchange for the approval of the listing of and permission to deal in the Shares to be issued pursuant to the exercise of the Share Options to be granted to Mr. Li, Ms. Zhang and Mr. Liu.

5. EGM

The EGM will be held by the Company at Conference Room, 2/F, Building No. 77-78, Zhuyuan Road, No. 12 District, Tianzhu Free Trade Zone, Beijing, PRC on Wednesday, 29 September at 2:00 p.m. to consider and, if thought fit, approve the (i) the proposed grant of Share Options to Mr. Li, Ms. Zhang and Mr. Liu; and (ii) the proposed refreshment of the Scheme Mandate Limit. A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this circular.

As at the Latest Practicable Date, Mr. Li, Ms. Zhang, Mr. Liu and their respective associates are interested in, in aggregate, 251,783,400 Shares, representing approximately 56.77% of the total issued share capital of the Company. Each of Mr. Li, Ms. Zhang and Mr. Liu, and their respective associates are required to abstain from voting on the relevant resolution to approve the proposed grant of Share Options to Mr. Li, Ms. Zhang and Mr. Liu at the EGM.

As at the Latest Practicable Date, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, Mr. Yang (an executive Director and a Vice Chairman) is a core connected person of the Company and is required to abstain from voting on the relevant resolution to approve the proposed grant of Share Options to Mr. Li, Ms. Zhang and Mr. Liu at the EGM. As at the Latest Practicable Date, Mr. Yang hold 3,039,000 Shares, representing approximately 0.68% of the total number of issued Shares.

Save as disclosed above, to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no other Shareholder has any material interest in the proposed grant of Share Options to Mr. Li, Ms. Zhang and Mr. Liu, and therefore no other Shareholder is required to abstain from voting on the relevant resolution approving the proposed grant of Share Options to Mr. Li, Ms. Zhang and Mr. Liu at the EGM.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, no Shareholder has any material interest in the proposed refreshment of the Scheme Mandate Limit and therefore no Shareholder is required to abstain from voting on the relevant resolution approving the proposed refreshment of the Scheme Mandate Limit at the EGM.

LETTER FROM THE BOARD

Mr. Li, Ms. Zhang and Mr. Liu entered into an acting-in-concert deed on 31 January 2016. Pursuant to the deed, Ms. Zhang and Mr. Liu shall support Mr. Li's decisions on material matters in relation to the operation and management of our Group by exercising their voting rights at the meetings of the shareholders and boards of the members of our Group in accordance with the decision of Mr. Li.

Save as disclosed above and to the best knowledge, information and belief of the Directors, having made all reasonable enquiries, there is (i) no other voting trust or other agreement or arrangement or understanding entered into by or binding upon any Shareholders; and (ii) no obligation or entitlement of any Shareholder as at the Latest Practicable Date, whereby it/he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of its/his Shares to a third party, either generally or on a case-by-case basis.

All resolutions to be proposed at the EGM will be voted on by poll. A form of proxy for the EGM is enclosed with this circular. Whether or not you intend to be present at the EGM, you are advised to read the notice and to complete the form of proxy and return it to Company's share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong in accordance with the instructions printed thereon not less than 48 hours before the time fixed for the EGM. The completion of a form of proxy will not preclude you from attending and voting at the EGM in person and any adjourned meeting thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

6. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

LETTER FROM THE BOARD

7. RECOMMENDATIONS

The Board (including the independent non-executive Directors) considers that each of (i) the proposed grant of Share Options to Mr. Li, Ms. Zhang and Mr. Liu; and (ii) the proposed refreshment of the Scheme Mandate Limit is fair and reasonable and in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders (including the Independent Shareholders in the case of the proposed grant of Share Options to Mr. Li, Ms. Zhang and Mr. Liu) to vote in favour of the resolutions to be proposed at the EGM.

Your attention is drawn to the “Letter from the Independent Non-executive Directors” in the Appendix of this circular, which sets out the recommendation of the independent non-executive Directors to the Independent Shareholders as to voting in relation to the resolution to be proposed at the EGM for the approval of the proposed grant of Share Options to Mr. Li, Ms. Zhang and Mr. Liu.

Yours faithfully,
By Order of the Board
China Leon Inspection Holding Limited
Mr. Yang Rongbing
Executive Director



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)

9 September 2021

To the Independent Shareholders

Dear Sir or Madam,

GRANT OF SHARE OPTIONS UNDER THE SHARE OPTION SCHEME

We refer to the circular of China Leon Inspection Holding Limited (the “**Company**”) dated 9 September 2021 to the shareholders of the Company (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

This letter sets out our recommendation to the Independent Shareholders as to voting in relation to the resolution to be proposed at the EGM for the approval of the proposed grant of Share Options to Mr. Li (Executive Director, Chairman, Chief Executive Officer and a substantial shareholder), Ms. Zhang (Executive Director, Vice President and a substantial shareholder) and Mr. Liu (Executive Director, Vice President and a substantial shareholder) on the Date of Grant.

Having considered the past contribution by Mr. Li, Ms. Zhang and Mr. Liu to the business performance of the Group and as an incentive for his continuing commitment and contribution to the Group in the future, we are of the view that the terms of the proposed grant of Share Options to Mr. Li, Ms. Zhang and Mr. Liu are fair and reasonable and in the interest of the Company and the Shareholders (including the Independent Shareholders) as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the grant of Share Options to Mr. Li, Ms. Zhang and Mr. Liu.

Mr. WANG Zichen Mr. ZHAO Hong Mr. LIU Hoi Keung
Independent Non-executive Directors

NOTICE OF EXTRAORDINARY GENERAL MEETING



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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of China Leon Inspection Holding Limited (the “Company”) will be held at Conference Room, 2/F, Building No. 77-78, Zhuyuan Road, No. 12 District, Tianzhu Free Trade Zone, Beijing, PRC on Wednesday, 29 September at 2:00 p.m. for the purposes of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company, with or without amendments:

ORDINARY RESOLUTIONS

1. “**THAT** the grant of Share Options to Mr. Li Xiangli, Ms. Zhang Aiying and Mr. Liu Yi under the share option scheme adopted by the Company on 5 May 2017 (the “**Share Option Scheme**”) to subscribe for 9,500,000 shares of the Company (the “**Share(s)**”) at the exercise price of HK\$2.14 per Share and on the terms and conditions set out in the circular of the Company dated 9 September 2021 be and is hereby approved and that the directors of the Company be and are hereby authorised to do all such acts and/or execute all such documents as may be necessary or expedient in order to give effect to the foregoing.”
2. “**THAT** subject to and conditional upon the Listing Committee of The Stock Exchange of Hong Kong Limited granting the approval for the listing of and permission to deal in the shares of the Company to be allotted and issued upon the exercise of share options granted under the Refreshed Limit (as defined below) under the Share Option Scheme, the existing limit in respect of the granting of share options (the “**Share Options**”) to subscribe for the Shares under the Share Option Scheme be and is hereby refreshed provided that the total number of Shares which may be allotted and issued upon exercise of the Share Options granted under the Share Option Scheme and any other share option schemes of the Company (excluding Share Options previously granted, outstanding, cancelled, lapsed or exercised under the Share Option Scheme) shall not exceed 10% of the total number of issued Shares as at the date of passing this resolution (the “**Refreshed Limit**”) and that the directors of the Company be and are hereby authorised to grant Share Options under the Share Option Scheme up to the Refreshed Limit and to exercise all powers of the Company to allot, issue and deal with Shares of the Company pursuant to the exercise of such Share Options.”

Yours faithfully,

For and on behalf of the Board of

China Leon Inspection Holding Limited

Mr. YANG Rongbing

Executive Director

Hong Kong, 9 September 2021

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. All resolutions at the above EGM will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands pursuant to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). The results of the poll will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.leontest.com) in accordance with the Listing Rules.
2. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend, speak and vote on behalf of him/her. A member who is the holder of two or more shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not be a member of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy.

On a poll, every member who is present in person or by proxy shall have one vote for every fully paid-up share held by him/her. On a show of hands, every member who is present in person or by proxy shall have one vote. If a member appoints more than one proxy, the proxies so appointed are not entitled to vote on the resolution on a show of hands.

3. In order to be valid, the form of proxy and any authority under which it is executed or a copy of the authority certified notarially, must be deposited at the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof.
4. Deposit of the form of proxy shall not preclude a member from attending and voting at EGM or at any adjournment of it and, in such event, the form of proxy shall be deemed to be revoked.
5. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 24 September 2021 to Wednesday, 29 September 2021, both days inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company’s share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on Thursday, 23 September 2021.
6. PRECAUTIONARY MEASURES FOR THE EGM

In view of the ongoing COVID-19 epidemic and recent requirements for prevention and control of its spread, the Company will implement the following preventive measures at the EGM to protect attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) Compulsory body temperature check will be conducted on every Shareholder, proxy and other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.3 degrees Celsius may be denied entry into the EGM venue or be required to leave the EGM venue.
- (ii) The Company encourages attendees to wear surgical face masks inside the EGM venue at all times, and to maintain a safe distance between seats.
- (iii) No refreshments will be served, and there will be no corporate gifts.

To the extent permitted under law, the Company reserves the right to deny entry into the EGM venue or require any person to leave the EGM venue in order to ensure the safety of the attendees at the EGM.

In the interest of all stakeholders’ health and safety and consistent with recent COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the EGM is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the EGM as their proxy to vote on the relevant resolutions at the EGM instead of attending the EGM in person.

As at the date of this circular, the Board comprises eight Directors, namely Mr. Li Xiangli, Ms. Zhang Aiyong, 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.