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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 AMENDMENT OF TERMS OF CONVERTIBLE BONDS**

References are made to (i) the announcements of the Company dated 12 May 2021 and 11 June 2021 in relation to the issue of the Convertible Bonds (the “**CB Announcements**”) and (ii) the announcements of the Company dated 15 July 2021 and 5 July 2022 in relation to, among other matters, the adjustment to the conversion price of the Convertible Bonds and the number of conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds (the “**Adjustment Announcements**”, and collectively with the CB Announcements, the “**Announcements**”). Capitalised terms used herein shall have the same meanings as defined in the Announcements, unless otherwise specified.

#### **THE AMENDMENT DEED**

On 26 June 2023 (after trading hours), the Company entered into a deed poll (the “**Amendment Deed**”) to amend the terms of the Convertible Bonds (the “**Proposed Amendments**”) as follows:

- (a) changing the currency of denomination of the Convertible Bonds from HK\$ to US\$, such that the principal amount of the Convertible Bonds will be changed from HK\$50,000,000 to US\$6,410,256.41 (based on an exchange rate of HK\$7.8 to US\$1.0 and rounded off to two decimal places), such that the principal amount will remain unchanged save for the conversion to a rounded off US\$ equivalent;
- (b) changing the currency of payment for all future payment obligations (including payment of any interest and principal) of the Company under the Convertible Bonds from HK\$ to US\$ (for the avoidance of doubt there shall be no retrospective effect to any payment under the Convertible Bonds which has been made prior to the effective date of the Proposed Amendments);
- (c) changing the Conversion Price to US\$0.1730 and adding an agreed exchange rate of HK\$7.8 to US\$1.0 (rounded down to four decimal places) (the “**Conversion Exchange Rate**”), such that the Conversion Price is the rounded down US\$ equivalent to HK\$1.35

(being the Conversion Price after the adjustments made as disclosed in the Adjustments Announcements (the “**Adjustments**”). For the avoidance of doubt, the number of Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds will also remain largely the same as that after the Adjustments save for a slight increase in number due to rounding of the Conversion Price, i.e., from 37,037,037 Shares to 37,053,505 Shares;

- (d) other consequential changes as a result of the amendments above, including changing the denomination of the outstanding principal amount when the Bondholder requests for early redemption or transfer from HK\$1,000,000 to US\$200,000 or any integral multiples thereof; and
- (e) other housekeeping change including updating the principal place of business in Hong Kong of the Company.

Save for the Proposed Amendments, all other principal terms of the Convertible Bonds remain unchanged.

### **Conditions Precedent**

The Proposed Amendments under the Amendment Deed shall only become effective on the date when each of the following has occurred:

- (a) the Stock Exchange has granted its approval for the Proposed Amendments pursuant to Rule 28.05 of the Listing Rules; and
- (b) the Listing Committee of the Stock Exchange has granted its approval regarding the listing of, and a permission to deal in, the Conversion Shares which shall fall to be issued by the Company upon conversion of the Convertible Bonds, if required.

### **Conversion Price**

The amended Conversion Price of US\$0.1730 per Conversion Share represents (based on the Conversion Exchange Rate):

- (a) a discount of approximately 0.7% to the closing price of HK\$1.36 per Share as quoted on the Stock Exchange on 26 June 2023, being the date of the Amendment Deed; and
- (b) a discount of approximately 14.7% to the average of the closing prices of HK\$1.55 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days immediately preceding 26 June 2023, being the date of the Amendment Deed.

### **Mandate to issue the Conversion Shares**

Based on the Conversion Price of US\$0.1730 per Conversion Share and the Conversion Exchange Rate, 37,053,505 Conversion Shares will be allotted and issued upon full exercise of the conversion rights attaching to the Convertible Bonds.

The Conversion Shares will be allotted and issued pursuant to the issue mandate granted to the Directors at the annual general meeting of the Company held on 16 June 2023 (the “**Issue Mandate**”). As at the date of this announcement, the Issue Mandate has not been utilized.

### **Listing**

An application will be made by the Company to the Listing Committee for the listing of, and permission to deal in, the Conversion Shares.

### **IMPACT ON ADJUSTMENT TO CONVERTIBLE BONDS UPON BONUS ISSUE**

Reference is also made to the circular of the Company dated 23 May 2023 (the “**Circular**”) and the announcement of the Company dated 16 June 2023, pursuant to which the Board has resolved to recommend, and an ordinary resolution was duly passed and approved by the shareholders of the Company for the issue of bonus Shares on the basis of one (1) bonus Share for every ten (1) existing Shares held on the record date (the “**Bonus Issue**”). As disclosed in the Circular, as a result of the Bonus Issue, the Conversion Price and the number of Conversion Shares falling to be allotted and issued upon full conversion of the Conversion Bonds will respectively be adjusted from HK\$1.35 to HK\$1.23 and from 37,037,037 Conversion Shares to 40,650,407 Conversion Shares (assuming the Proposed Amendments has not taken effect).

For illustration purpose, assuming the Proposed Amendments has become effective prior to the Bonus Issue, the Conversion Price and the number of Conversion Shares falling to be allotted and issued upon full conversion of the Conversion Bonds will respectively be adjusted in the following manner:

<u>Prior to the Bonus Issue and the Proposed Amendments</u>		<u>Upon the Proposed Amendments becoming effective</u>		<u>Upon the Bonus Issue</u>	
<b>Existing Conversion Price (HK\$)</b>	<b>Number of Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds</b>	<b>Conversion Price (US\$)</b>	<b>Number of Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds</b>	<b>Adjusted Conversion Price (US\$)</b>	<b>Adjusted number of Conversion Shares to be allotted and issued upon full conversion of the Convertible Bonds</b>
1.35	37,037,037	0.1730	37,053,505	0.1573	40,751,789

## **INFORMATION OF THE PARTIES**

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 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.

## **REASONS FOR AND BENEFITS OF THE PROPOSED AMENDMENT**

As at the date of this announcement, the outstanding principal amount of the Convertible Bonds is HK\$50,000,000.

The Group is intending to enter in the Amendment Deed to effect the Proposed Amendments given that (i) the Group has a considerable amount of revenue and cashflow in US\$ deriving from its overseas operations; (ii) the exchange rate between RMB, being another main currency in which the Group receives its revenue and cashflow, and HK\$ has been volatile in recent years, and the future trend remains uncertain; and (iii) in order to protect the Group from the foreign exchange risk in the exchange of RMB and HK\$, the Company intends to settle the payment obligations under the Convertible Bonds with US\$, to which HK\$ is pegged and bears a lesser foreign exchange risk to the Group.

In view of the aforementioned, the Directors consider that the terms and conditions of the Amendment Deed, which have been arrived at after arm's length negotiation between the Company and the Subscriber, are fair and reasonable and that the Proposed Amendments are in the interests of the Company and its Shareholders as a whole.

## **EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE MONTHS**

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

## LISTING RULES IMPLICATIONS

Pursuant to Rule 28.05 of the Listing Rules, any alteration in the terms of convertible debt securities after issue must be approved by the Stock Exchange, except where the alteration takes effect automatically under the existing terms of such convertible debt securities. An application for the approval of the Proposed Amendments will be submitted to the Stock Exchange.

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

Beijing, PRC, 26 June 2023

*As at the date of this announcement, the Board of the Company comprises eight Directors:*

*Executive Directors:*

Mr. Li Xiangli (*Chairman and CEO*)  
Ms. Zhang Aiyang (*Vice President*)  
Mr. Liu Yi (*Vice President*)  
Mr. Yang Rongbing (*Vice Chairman*)

*Independent Non-executive Directors:*

Mr. Wang Zichen  
Mr. Zhao Hong  
Mr. Liu Hoi Keung

*Non-executive Director:*

Mr. Hao Yilei