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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)

DISCLOSEABLE TRANSACTION FORMATION OF JOINT VENTURE

The Board is pleased to announce that, on 23 October 2017 (after trading hours), Beijing Lihong, an indirect wholly-owned subsidiary of the Company, and Mr. LEI Xihu entered into the JV Articles for the formation of the JV Company. The JV Company will leverage on the technology and human resources of Beijing Lihong to develop upstream coal inspection business, and further enhance the Company's overall service capabilities. The registered capital of the JV Company will be RMB50,000,000, which will be contributed as to 55% by Beijing Lihong and 45% by Mr. LEI Xihu.

As one or more of the applicable percentage ratios in respect of the formation of the JV Company calculated under Chapter 14 of the Listing Rules is more than 5% but is less than 25%, the formation of the JV Company constitutes a discloseable transaction of the Company and is subject to the requirements of notification and announcement under Chapter 14 of the Listing Rules.

The Board is pleased to announce that, on 23 October 2017 (after trading hours), Beijing Lihong, an indirect wholly-owned subsidiary of the Company, and Mr. LEI Xihu entered into the JV Articles for the establishment of the JV Company. After its formation, the JV Company will be a non-wholly-owned subsidiary of the Company and its financial results will be consolidated into the financial statements of the Company. The principal terms of the JV Articles are as follows:

THE JV ARTICLES

Date: 23 October 2017

Parties: (i) Beijing Lihong, an indirect wholly-owned subsidiary of the Company; and
(ii) Mr. LEI Xihu

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the date of this announcement, Mr. LEI Xihu is a third party independent of the Company and its connected persons.

Scope of business

The principal business of the JV Company will be the provision of commodities testing and quality inspection services.

Registered capital

The registered capital of the JV Company is RMB50,000,000, which will be contributed in cash as to:

- (1) RMB27,500,000, representing 55% of the total amount, by Beijing Lihong, which will be funded by the internal resources of the Group; and
- (2) RMB22,500,000, representing 45% of the total amount, by Mr. LEI Xihu.

The contributions are determined after arm's length negotiation of the parties with reference to the initial funding needs of the JV Company and capital contribution intentions of the parties.

Director

The JV Company will not have the board of directors, but only an executive director. The first executive director of the JV Company is to be appointed by Beijing Lihong.

Term of Business

The term of business of the JV Company is 20 years.

REASONS FOR AND BENEFITS OF THE FORMATION OF THE JV COMPANY

The Chinese government continues to implement the policies on supply side reform and capacity reduction for the coal industry adopted in 2016, which has achieved remarkable results. The coal price rallied drastically in 2016, and stabilized to date. Transactions in the domestic coal market became more active, while the Chinese government imposed more stringent regulation over the quality of coal and pollution control. According to the Company's strategic deployment goal and taking advantage of the favorable external environment, the Company decide to develop into the upstream business of coal inspection market.

The Board believes that the JV Company will help the Group to develop the upstream coal inspection business, and further enhance the Company's overall service capabilities.

The Directors (including the independent non-executive Directors) are of the view that terms of the JV Articles are on normal commercial terms and are fair and reasonable and the formation of the JV Company is in the interests of the Company and the Shareholders as a whole.

GENERAL

The Company is principally engaged in coal testing and inspection service.

As one or more of the applicable percentage ratios of the Company in respect of the formation of the JV Company calculated under Chapter 14 of the Listing Rules is more than 5% but is less than 25%, the formation of the JV Company constitutes a disclosable transaction of the Company and is subject to the requirements of notification and announcement under Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the respective meanings ascribed adjacently below, unless the context requires otherwise:

“Beijing Lihong”	Beijing Huaxia Lihong Commodity Inspection Co., Ltd.(北京華夏力鴻商品檢驗有限公司), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Company
“Board”	the board of Directors of the Company
“Company”	China Leon Inspection Holding Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1586)
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV Articles”	the articles of association of the JV Company, executed by Beijing Lihong and Mr. LEI Xihu on 23 October 2017
“JV Company”	Shaanxi Huaxia Lihong Commodity Inspection Co., Ltd.(陝西華夏力鴻商品檢驗有限公司), the joint venture to be formed by Beijing Lihong and Mr. LEI Xihu in the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	the lawful currency of the PRC

“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	the ordinary share(s) in the capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By order of the Board
China Leon Inspection Holding Limited
LI Xiangli
Chairman

Beijing, PRC, 23 October 2017

As at the date of this announcement, the Board comprises seven directors, namely Mr. Li Xiangli, Ms. Zhang Aiyong, and Mr. Liu Yi as executive directors of the Company; Mr. Wang Gang as non-executive director of the Company; and Mr. Yang Rongbing, Mr. Wang Zichen and Mr. Zhao Hong as independent non-executive directors of the Company.