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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2020

FINANCIAL HIGHLIGHTS

- Revenue amounted to RMB574.0 million (2019: RMB396.5 million) representing an increase of 44.8% when compared to last year.
- Profit for the year amounted to RMB74.9 million (2019: RMB28.8 million) representing an increase of 160.3% when compared to last year.
- Basic earnings per share was approximately RMB12.59 cents (2019: RMB6.04 cents).

In this announcement, "we", "us" and "our" refer to the Company (as defined below) and where the context otherwise requires, the Group (as defined below).

The board (the "**Board**") of directors (the "**Directors**") of China Leon Inspection Holding Limited (the "**Company**") is pleased to announce that the consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2020 with the comparative figures for the year ended 31 December 2019 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 *RMB'000*	2019 *RMB'000*
Revenue	*3*	**573,990**	396,456
Cost of sales		**(330,596)**	(210,249)
Gross profit		**243,394**	186,207
Other income and other gains and losses		**13,792**	7,230
Selling and distribution expenses		**(15,207)**	(15,131)
Administrative expenses		**(133,213)**	(110,916)
Impairment losses under expected credit loss model, net		**(1,098)**	(786)
Other expenses		**(11,122)**	(11,779)
Finance costs		**(4,217)**	(6,864)
Share of loss of an associate		**–**	(1,061)
Profit before tax		**92,329**	46,900
Income tax expense	*5*	**(17,471)**	(18,143)
Profit for the year	*6*	**74,858**	28,757
Attributable to:			
Owners of the Company		**50,267**	24,171
Non-controlling interests		**24,591**	4,586
		74,858	28,757

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

For the year ended 31 December 2020

	Note	**2020**	2019
		RMB'000	*RMB'000*
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Fair value loss on investment in equity instrument at fair value through other comprehensive income		**(812)**	(2,188)
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(2,719)**	401
Other comprehensive expense for the year, net of income tax		**(3,531)**	(1,787)
Total comprehensive income for the year		**71,327**	26,970
Attributable to:			
Owners of the Company		**48,068**	22,187
Non-controlling interests		**23,259**	4,783
		71,327	26,970
Earnings per share attributable to ordinary equity holders of the Company			
Basic	*8*	**RMB12.59 cents**	RMB6.04 cents
Diluted		**RMB12.59 cents**	RMB6.04 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment		**149,545**	140,444
Right-of-use assets		**30,679**	37,140
Investment properties		**18,169**	19,443
Goodwill		**17,607**	18,445
Intangible assets		**3,059**	3,807
Equity investment at fair value through other comprehensive income		–	812
Deferred tax assets		**520**	296
Prepayments, other receivables and other assets		**10,410**	5,803
		229,989	226,190
Current assets			
Trade receivables	*9*	**108,459**	94,703
Prepayments, other receivables and other assets		**21,414**	16,761
Pledged deposits		**784**	823
Cash and cash equivalents		**78,875**	76,008
		209,532	188,295
Current liabilities			
Trade payables	*10*	**35,259**	45,456
Contract liabilities		**3,983**	3,384
Other payables and accruals		**51,580**	42,820
Borrowings		**25,000**	55,134
Tax payable		**9,757**	1,492
Lease liabilities		**13,343**	13,682
Total current liabilities		**138,922**	161,968
Net current assets		**70,610**	26,327
Total assets less current liabilities		**300,599**	252,517

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 31 December 2020

	2020	2019
	RMB'000	*RMB'000*
Non-current liabilities		
Borrowings	**8,830**	8,139
Deferred tax liabilities	**3,874**	5,160
Lease liabilities	**13,170**	17,948
	25,874	31,247
Net assets	**274,725**	221,270
Capital and reserves		
Share capital	**131**	131
Reserves	**250,974**	222,822
Equity attributable to owners of the Company	**251,105**	222,953
Non-controlling interests	**23,620**	(1,683)
Total equity	**274,725**	221,270

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

China Leon Inspection Holding Limited (the "**Company**") is an exempted company with limited liability incorporated in the Cayman Islands on 29 July 2015. The registered office address of the Company is Windward 3, Regatta Office Park, PO Box 1350, Grand Cayman KY1-1108, Cayman Islands and the principal places of business are Unit F, 16/F, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong, and Building No. 78, Zhuyuan Road, No. 12 District, Tianzhu Free Trade Zone, Beijing, China. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited from 12 July 2016.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is also the functional currency of the Company.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the *Amendments to References to the Conceptual Framework in IFRS Standards* and the following amendments to IFRSs issued by the International Accounting Standards Board for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	2020	2019
	RMB'000	*RMB'000*
Type of services		
Testing services	**358,198**	254,282
Surveying services	**172,578**	127,426
Witnessing and ancillary services	**43,214**	14,748
Total	**573,990**	396,456
Geographical markets		
Greater China	**346,764**	287,500
Singapore	**200,999**	79,162
Other countries/regions	**26,227**	29,794
Total	**573,990**	396,456
Timing of revenue recognition		
A point in time	**573,990**	396,456
Revenue from contracts with customers		
External customers	**573,990**	396,456
Intersegment sales	**–**	8,646
	573,990	405,102
Intersegment adjustments and eliminations	**–**	(8,646)
Total	**573,990**	396,456

(ii) Performance obligations for contracts with customers

Rendering of services

The Group performs analytical tests for the quality of energy and commodities and issues testing certificates or reports after completion of the on-site preparation. The performance obligation is satisfied upon i) completion of testing services and/or ii) issuance of testing certificate. A contract liability is recognised for sales in which revenue has yet been recognised.

The Group provides surveying services and witnessing and ancillary services on-site. Service reports are issued after services rendered. The performance obligation is satisfied upon completion of i) provision of services; and/or ii) issuance of service reports, if any. A contract liability is recognised for sales in which revenue has yet been recognised.

All services provided by the Group are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

4. OPERATING SEGMENT

Information reported to the executive directors of the Company, being the chief operating decision maker (the "**CODM**"), for the purposes of resource allocation and assessment focuses on revenue analysis by geographic location of customers. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, and geographical information are presented.

Geographical information

The Group's operations are located in the Greater China and overseas.

Information about the Group's revenue from external customers is presented based on the location of the service provided. Information about the Group's non-current assets is presented based on the geographical location of the assets.

	Revenue from external customers		**Non-current assets**	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Greater China	**346,764**	287,500	**177,878**	159,452
Singapore	**200,999**	79,162	**39,222**	41,330
Others	**26,227**	29,794	**11,492**	18,497
	573,990	396,456	**228,592**	219,279

Note: Non-current assets excluded financial instruments and deferred tax assets.

5. INCOME TAX EXPENSE

Pursuant to the local rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

The Company's subsidiaries incorporated in Hong Kong is subject to income tax at the rate of 16.5% on the estimated assessable profits. The tax on the dividend distributed by a subsidiary of RMB50,000,000 (2019: RMB20,000,000) in the PRC has been provided at the rate of 5% (2019: 10%) during the year.

The Company's subsidiaries in the PRC are subject to income tax at a statutory rate of 25% on their respective taxable income, except for certain subsidiaries, which have been identified as "high and new technology enterprises" and were entitled to a preferential income tax rate of 15% for the years ended 31 December 2020 and 2019.

The Company's subsidiaries incorporated in Singapore is subject to income tax at the rate of 17.0% on the estimated assessable profits.

Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	2020	2019
	RMB'000	*RMB'000*
Current income tax		
– The PRC	**9,253**	8,415
– Other jurisdictions	**7,228**	1,067
Withholding tax of dividends distributed by a PRC subsidiary	**2,500**	2,000
Underprovision in prior years		
– The PRC	**–**	1,844
	18,981	13,326
Deferred tax (credit) charge	**(1,510)**	4,817
Tax charge for the year	**17,471**	18,143

6. PROFIT FOR THE YEAR

The Group's profit for the year has been arrived at after charging (crediting):

	2020	2019
	RMB'000	*RMB'000*
Auditor's remuneration	**1,600**	1,681
Cost of services provided	**330,596**	210,249
Depreciation of property, plant and equipment	**20,493**	17,295
Depreciation of investment properties	**1,274**	1,274
Depreciation of right-of-use assets	**12,864**	13,057
Amortisation of intangible assets	**637**	683
Research and development costs (included in other expenses):		
– Current year expenditure	**10,911**	9,957
Employee benefit expenses (including directors' and the chief executive's remuneration):		
– Wages and salaries	**198,316**	131,657
– Pension scheme contributions	**5,827**	14,347
– Welfare and other expenses	**38,577**	30,080
– Equity-settled share option expense	**227**	844
	242,947	176,928
Impairment loss under expected credit loss ("**ECL**") model, net:		
– Impairment of trade receivables, net	**1,098**	1,106
– Reversal of impairment of financial assets included in other receivables and other assets, net	**–**	(320)
	1,098	786

7. DIVIDENDS

Dividends for ordinary shareholders of the Company recognised as distribution during the year.

	2020	2019
	RMB'000	*RMB'000*
2019 Final – RMB0.0375 (2019: 2018 final dividend – RMB0.0075) per ordinary share	**15,000**	3,000

Subsequent to the end of the reporting period, a final dividend of RMB0.0375 (2019: RMB0.0375) per share in an aggregate amount of RMB15,000,000 (2019: RMB15,000,000) for the year ended 31 December 2020 has been proposed by the directors of the Company and is subject to the approval of the shareholders at the forthcoming annual general meeting.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 399,407,683 (2019: 400,000,000) in issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on the following data:

	2020	2019
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company, used in the basic and diluted earnings per share calculations	**50,267**	24,171

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations	**399,407,683**	400,000,000
Effect of dilution – weighted average number of ordinary shares:		
– Share options	**–**	162,301
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculations	**399,407,683**	400,162,301

The computation of diluted earnings per share does not assume the exercise of all of the Company's share options because the exercise price of those options were higher than the average market price for shares for 2020.

The computation of diluted earnings per share does not assume the exercise of certain of the Company's share options because the exercise price of those options were higher than the average market price for shares for 2019.

9. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**112,019**	97,165
Allowance for credit losses	**(3,560)**	(2,462)
	108,459	94,703

As at 1 January 2019, trade receivables from contracts with customers amounted to RMB42,263,000.

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally three months. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The following is an ageing analysis of trade receivables net of allowance for credit losses presented based on the invoice dates:

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**88,635**	77,024
Over 3 to 6 months	**11,351**	10,026
Over 6 months to 1 year	**6,983**	4,336
Over 1 to 2 years	**1,490**	3,317
	108,459	94,703

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB19,928,000 (2019: RMB17,602,000) which are past due as at the reporting date. Out of the past due balances, RMB8,577,000 (2019: RMB7,653,000) has been past due 90 days or more and is not considered as in default due to the management's historical experience on the settlement pattern or record from these debtors and the good business relationship with these debtors. The Group does not hold any collateral over these balances.

10. TRADE PAYABLES

The following is an ageing analysis of the trade payables presented based on the invoice dates.

	2020	2019
	RMB'000	*RMB'000*
Within 3 months	**27,812**	38,310
Over 3 to 6 months	**4,895**	5,770
Over 6 months to 1 year	**2,460**	1,154
Over 1 to 2 years	**92**	222
	35,259	45,456

The trade payables are non-interest-bearing and are normally settled on 90-day terms.

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

Established in 2009 and headquartered in Beijing, the Company is a third-party testing agency approved by the former General Administration of Quality Supervision, Inspection and Quarantine and accredited as "double high and new" technology enterprise of the state and Zhongguancun. The Company attaches great importance to the protection of intellectual property rights. At present, the Company has been granted 8 national invention patents, with 11 others pending approval; 28 utility patents, with 4 others pending approval; and 43 software copyright licenses. Currently, the Company has numerous branches and professional laboratories in various countries and regions worldwide, with a total of 443 business locations covering major port and hub cities. In particular, the Company has 25 inspection agencies and laboratories across major domestic trading ports and cities in China, including Hong Kong, Qinhuangdao, Tangshan, Tianjin, Cangzhou, Nanjing, Jiangyin, Hunan, Hubei, Guangzhou, Zhuhai, Xinjiang, Shaanxi, Inner Mongolia, Dalian, Shandong, Zhoushan, Xiamen, Nanjing and Dongguan. Besides, the Company has 8 inspection agencies and laboratories outside China, covering Singapore, India, Malaysia, Indonesia, Pakistan, Australia and Vietnam.

As an international third-party independent testing and inspection company, the Company provides customers across the globe with all-round professional testing, inspection, measurement, certification, consultation and related technical services round the clock. On the basis of focusing on businesses related to inspection, testing and certification of the two major sectors, namely energy and commodity, the Company has, by fully leveraging its leading advantages in different segments and economies of scale, expanded its service scope to include electric power system and extended its business reach to the relevant testing services in the field of clean energy, especially in the fields of solar and wind power equipment. In terms of environmental monitoring and testing, the Company provides related services such as environmental and ecological monitoring, soil testing, environmental technology consultation and assessment and carbon neutralization for enterprises and government agencies.

The Company benefited from China's economic policies and the improving market demand amid the global public health event as well as the complex and fast changing macroeconomic environment in 2020. The management focused on high- quality development by integrating the concept of building a platform into its daily tasks, accurately grasping the market trend in various segments and working out plans for the fields with strategic advantages, so that its operational quality and efficiency continued to improve and its overall competitiveness and brand influence were enhanced steadily. In 2020, total operating income of the Company amounted to RMB574.0 million, representing an increase of 44.8% as compared to the corresponding period last year; total profit was RMB74.9 million, representing an increase of 160.3% as compared to the corresponding period last year. During the reporting period, all key performance indicators hit a record high, laying a good foundation for launching new development strategy.

During the reporting period, due to the introduction of effective prevention and control measures, China and Singapore, our major business markets, were the first to restore normal production and operations. The overall business of the Company was growing well, with continuous increase in all businesses. As we reacted proactively to China's policy for the Belt and Road Initiative and high-quality development, the core business of our energy inspection segment grew strongly, thus further consolidating our leading position in this segment. We explored the in-depth needs of our customers, overcame the obstacles due to the pandemic, strove to improve the service quality and expanded more business in the on-site inspection, technology consultation and training sectors. As a result, we won praise from our customers, and our business undertaking capability was raised rapidly, which indicated that we were already on a rapid development track and that we successfully attained the initial strategic development goal set for the energy inspection industry.

1. **Continuous enhancement of brand influence and credibility** – The Company has obtained CMA "Qualification Certificate of Inspection and Testing Agency" issued by the Certification and Accreditation Administration of the People's Republic of China and the CNAS "Laboratory Accreditation Certificate" issued by the China National Accreditation Service for Conformity Assessment. In overseas, it has obtained ISO17025, ISO17020 and ISO14001 certifications. We have reached the standards for internationally recognized testing and inspection agencies and other authoritative standards in terms of professional capabilities. We have been granted full membership of China Entry & Exit Inspection and Quarantine Association and full membership of China Certification & Accreditation Association. We joined IFIA as a full member in 2018 and became a full member of TIC Council (a merger of IFIA and CEOC). The recognition of all of these qualifications assures that our inspection reports are more internationally credible.

2. **Diversified customer structure** – having maintained stable and good partnership with major customers such as CHN Energy, Shaanxi Coal Group, China Coal Group, Yitai Group, Datang Group, China Resources Group, CNPC, SINOPEC, CNOOC, ChemChina, SinoChem, Shell, BP, Exxon-Mobil, Chevron, Total, Saudi Aramco, ENOC and Rosneft, new customers were added to the new energy sector, such as Goldwind Science & Technology, SANY Heavy Industry, China Huadian Corporation, China General Certification Center and Tianjin Zhonghai Engineering Management Consulting Co., Ltd. (天津中海工程管理諮詢有限公司). During the reporting period, we were expanding more regional customers and carrying out centralized marketing in specific industries, like the cement, iron and steel and papermaking industries as well as chemical factory, which further expanded our quality customer base.

3. **Continuous strong growth in the energy inspection business** – The Company successfully acquired Saybolt (Tianjin) Metrology & Inspection Co., Ltd. and Leon Overseas (Hong Kong) Limited (formerly known as Core Laboratories (Hong Kong) Limited) in 2018, and then Saybolt (Singapore) Pte Ltd ("**Saybolt (Singapore)**") in 2019, which marked two major milestones for the Group in terms of globalization and business diversification, and enabled the Group to successfully venture into the petroleum business in the Asia-Pacific Region and extended its services, such as technical testing and inspection as well as analysis services (including product and service certification) for oil, natural gas, chemicals and fuel bulk cargoes, to cover Singapore and the surrounding areas, thus broadening its business scope. The comprehensive and systematic output management enabled us to expand the effectiveness of our M&A assets, grow our business capabilities rapidly and enter a positive payback period, thus resulting in a significant increase in the Group's overall operating income. The volume the Group's oil business segment increased significantly during the year, thanks to the increase in the volume of oil trade transhipped from Europe and the Middle East via Singapore to Southeast Asia. Meanwhile, the coal testing segment of the Company continued to grow steadily, with a gradual increase in its market share and new highs in various core indicators such as number of certificates issued and overall business revenue.

II. Business Strategies and Future Prospects

2021 marks the start of China's "14th Fifth Year". It is an extraordinary year in China's modernization process as well. To react to China's development strategy. China Leon continues to apply a policy of seeking progress while maintaining stability. Built on the successful experience in M&A operation over the past three years, the Company is fully committed to the 2+X strategy. In this 2+X strategy, "2" refers to both coal and oil product inspection, the two pillars of the Group's existing business, as well as the further development in the field of energy and commodities inspection and testing, while "X" refers to the projected fields and space for future growth of the Group, which are focused on renewable energy and other ESG-related fields with long-term, sustainable growth potential.

Based on the principle of developing the "X" business in chronological order and on the solid market position in the field of commodities and energy, the Company will aggressively expand the following three major TIC sectors: (i) new energy inspection and testing; (ii) regular TIC inspection and testing; and (iii) inspection and testing in an emerging industry. By taking advantage of the use of an adequate amount of capital investment as leverage and the opportunity arising from the reform of the domestic TIC market, the Company will work with "business partners" who value the same business ethics and integrity to build a diverse, integrated business platform for inspection, testing and certification. We will also continue to develop our strategies with long term vision and embrace our corporate values of reliability, professionalism, integrity, diversity, transparency and sustainability. By fully leveraging its leading advantages in different energy and commodities testing segments and economies of scale, the Company will expand its service scope and open up the TIC business related to the electricity, new energy and clean energy sectors so as to fully execute the Group's 2+X sustainable growth strategy.

FINANCIAL REVIEW

Overview

	2020	2019	
	RMB'000	*RMB'000*	*Change*
Revenue	**573,990**	396,456	44.8%
Profit before tax	**92,329**	46,900	96.9%
Profit for the year	**74,858**	28,757	160.3%

Revenue

The Group's revenue increased by 44.8% from approximately RMB396.5 million in 2019 to approximately RMB574.0 million in 2020. The Company was benefited from the support of China's national macro policies and the growing demand in the testing market. The management of the Group focused on high-quality development and adhered to the concept of platform development throughout our work. It accurately grasped the market trend of various segments and tapped into areas with strategic competitiveness. All the efforts contributed to constant improvement in operational quality and efficiency as well as steady enhancement in comprehensive competitiveness and brand influence of the Group. The table below sets forth the revenue breakdown for each of our service offerings.

	2020	2019
	RMB'000	*RMB'000*
Testing services	**358,198**	254,282
Surveying services	**172,578**	127,426
Witnessing and ancillary services	**43,214**	14,748
	573,990	396,456

Profit for the Year

The Group's profit for the year increased by 160.3% from approximately RMB28.8 million in 2019 to approximately RMB74.9 million in 2020. The Company has achieved favorable performance in overall business development, with continuous growth delivered by every business segment. In particular, the core business segment of energy inspection has recorded robust growth, further consolidating its leading position in the segment. It also successfully completed the initial strategic development goals set by the energy inspection industry. On the other hand, the Company has taken multiple measures to further tighten cost control so as to improve the profitability and output per capita.

Cash and Cash Equivalents

The Group's cash and cash equivalents consist primarily of cash and bank balances denominated in RMB, USD and SGD. The Group remained in a strong cash position throughout 2019 and 2020, with cash and cash equivalents of RMB76.0 million and RMB78.9 million as at 31 December 2019 and 2020 respectively.

Treasury Management and Funding Policy

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios in order to support our business and maximize our shareholders' value. We manage and adjust our capital structure considering changes in economic conditions and the risks of the underlying assets. To maintain or adjust our capital structure, we may adjust dividend payments to shareholders, return capital to shareholders or raise funds through issuing new equity.

We have a prudent treasury operation to manage our investments in financial products. We only invest in low risk financial instruments from reputable commercial banks that can be redeemed on a same-day basis or otherwise within a short notice period, including primarily bank-sponsored wealth management products, such as bonds, money market funds and interbank deposits.

Contingent Liabilities

As at 31 December 2020, the Group did not have any significant contingent liabilities or guarantees to third parties.

Gearing Ratio

The Group monitors capital on the basis of the gearing ratio. The calculation of gearing ratio is based on total net debt divided by capital plus net debt and multiplied by 100.0%. Net debt is calculated as trade payables, other payables and accruals, interest-bearing bank loans and other loans, less cash and cash equivalents as shown in the consolidated statement of financial position. Total capital is calculated as "equity attributable to owners of the Company" as shown in the consolidated statement of financial position.

	2020	2019
	RMB'000	*RMB'000*
Trade payables	**35,259**	45,456
Other payables and accruals	**51,580**	42,820
Bank loans and other loans	**33,830**	63,273
Less: Cash and cash equivalents	**(78,875)**	(76,008)
Net debt	**41,794**	75,541
Equity attributable to owners of the Company	**251,105**	222,953
Capital and net debt	**292,899**	298,494
Gearing ratio	**14.27%**	25.31%

Credit Risk

Credit risk is the risk of loss arising from a customer's or counterparty's inability to meet its obligations. The Group enters into transactions only with recognized and creditworthy parties. It is the Group's policy that all customers who wish to have credit transactions with the Group are subject to credit verification procedures taking into account the customers' financial position and the Group's past experience with the customers.

In addition, the Group monitors receivable balances on an ongoing basis. The management of the Group evaluates the creditworthiness of its existing and prospective customers and ensures that the customers have adequate financing for the projects as well as the source of the financing. No collateral is required.

The Group's other financial assets include other receivables and cash and cash equivalents. The credit risk of these financial assets arises from default of the counterparty. The maximum exposure to credit risk equals to the carrying amounts of these assets.

Foreign Exchange Risk

The Group was exposed to foreign currency risk on cash and cash equivalents, receivables, payables and borrowings that were denominated in a currency other than respective functional currencies of the Group's entities. The currencies giving rise to this risk were primarily Hong Kong dollar, United States dollar and Singapore dollar.

Significant Investments

The Group did not have any significant investments during the year.

EVENT AFTER THE REPORTING PERIOD

On 3 February 2021, Lihong Inspection Group Limited (力鴻檢驗集團有限公司), a subsidiary of the Company, entered into the sale and purchase agreements with the vendors for the acquisition of Tianjin Zhiheng Environmental Technology Limited# (天津之恆環境科技有限公司) and Tianjin Huaneng Environmental Monitoring Service Co., Ltd.# (天津華能環境監測服務有限公司), both incorporated in the PRC.

The transaction is in line with the 2+X strategy of the Company, fulfilling the environmental testing field of the Company. The environmental testing business is also a key focus area in the X segment of the Group, which helps speed up the Company's development in the field of environmental testing and ensure the comprehensive promotion of the Company's X business. By utilizing the qualifications of and resources accumulated by the target companies in the field of environmental testing, the Company can directly enter the environmental testing related industries and become a high-level third-party inspection service provider which serves environmental testing in Northern China. Details of the transaction were disclosed in the announcement dated 3 February 2021.

EMPLOYEES

As of 31 December 2020, the Group had 1,657 (2019: 1,400) employees in total. The Group's employee compensation includes base salary, bonuses and cash subsidies. In general, the Group determines employee compensation based on each employee's performance, qualifications, position and seniority. Other agreed employee benefits includes pension scheme, medical insurance, on-job training, education subsidy and other social security and paid leaves stipulated under the relevant jurisdiction of places of operation. The Company maintained good relationship with its employees.

For identification purpose only

The emolument policy of the employees of the Group is based on their merit, qualifications and competence. The Company has adopted the share option scheme as well as the share award scheme as the incentives to Directors and eligible employees. The emoluments of the Directors are recommended and decided by the remuneration committee and the Board respectively, having regard to the Company's operating results, individual performance and comparable market statistics.

PRE-EMPTIVE RIGHTS

There are no provisions of pre-emptive rights under the Company's articles of association, or the laws of the Cayman Islands (being the jurisdiction in which the Company was incorporated), which would oblige the Company to offer new shares on a pro-rata basis to its existing shareholders.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

DIVIDEND

The Board recommends the payment of a final dividend of RMB0.0375 per share in respect of the year ended 31 December 2020 to shareholders whose names appear on the register of members of the Company on Monday, 5 July 2021. The proposed final dividend will be paid on or around Thursday, 15 July 2021, subject to approval at the annual general meeting of the Company to be held on Friday, 18 June 2021 (the "**AGM**"). The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the average middle rate of RMB to Hong Kong dollars as announced by the People's Bank of China for the period from Tuesday, 15 June 2021 to Friday, 18 June 2021.

ISSUE OF BONUS SHARES

Subject to the passing of the relevant resolution at the AGM and The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") granting the listing of and permission to deal in such new shares, the Board proposes to make a bonus issue of one new share for every ten shares held to shareholders whose names appear on the register of members of the Company on Monday, 5 July 2021. The relevant resolution will be proposed at the AGM, and if passed and upon the Listing Committee of the Stock Exchange granting the listing of and permission to deal in such new shares, share certificates for the bonus shares will be posted on or around Thursday, 15 July 2021.

CLOSURE OF REGISTER

The register of members of the Company will be closed during the following periods:

(i) from Tuesday, 15 June 2021 to Friday, 18 June 2021, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, 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, Wan Chai, Hong Kong, not later than 4:30 p.m. on Friday, 11 June 2021; and

(ii) from Tuesday, 29 June 2021 to Monday, 5 July 2021, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining shareholders' entitlement to the proposed final dividend and bonus shares. In order to establish entitlements to the proposed final dividend and bonus shares, 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, Wan Chai, Hong Kong, not later than 4:30 p.m. on Monday, 28 June 2021.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of its shareholders as a whole. The Company has adopted the code provisions on Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Listing Rules.

For the year ended 31 December 2020, in the opinion of the Directors, the Company had complied with the code provisions as set out in the CG Code except the deviation from code provision A.2.1.

Currently, Mr. LI Xiangli takes up the roles of both chairman of the Board and chief executive officer ("**CEO**") of the Company, which is deviated from code provision A.2.1 of the CG Code that requires the roles of chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. The Board considers that Mr. Li possesses the essential leadership skills to manage the Board and extensive knowledge in the business of the Group. In the opinion of the Directors, through supervision by the Board and the independent non-executive Directors, together with effective control of the Company's internal check and balance mechanism, the same individual performing the roles of chairman and CEO can achieve the goal of improving the Company's efficiency in decision-making and execution and effectively capturing business opportunities. The Board will review the effectiveness of this arrangement from time to time.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Company's employees who, because of their offices or employments, are likely to possess inside information of the Company and/or its securities.

Having made specific enquiry by the Company with all Directors, all Directors confirmed that they had complied with the required standards set out in the Model Code regarding directors' securities transactions throughout the year ended 31 December 2020.

REVIEW OF FINANCIAL STATEMENTS

Audit Committee

The Company has established the audit committee (the "**Audit Committee**") of the Board in compliance with Rules 3.21 and 3.22 of the Listing Rules. The Audit Committee now comprises three members, namely Mr. LIU Hoi Keung (Chairman), Mr. WANG Zichen and Mr. ZHAO Hong, all being the independent non-executive Directors.

Scope of work of Messrs. Deloitte Touche Tohmatsu

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

The Audit Committee has discussed with the management and reviewed the annual consolidated financial statements of the Group for the year ended 31 December 2020 and this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.leontest.com, respectively. The annual report of the Company for the year ended 31 December 2020 containing all the information required under the Listing Rules will be despatched to the shareholders of the Company and published on the abovementioned websites in due course.

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

Beijing, PRC, 31 March 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 non-executive Director; and Mr. Wang Zichen, Mr. Zhao Hong and Mr. Liu Hoi Keung as independent non-executive Directors.