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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)

**LATEST BUSINESS UPDATE
FRUITFUL START OF ESG BUSINESS
SAFEGUARDS SUSTAINABLE GROWTH**

This announcement is made by China Leon Inspection Holding Limited (hereinafter referred to as the “**Company**”); together with its subsidiaries, collectively the “**Group**”) on a voluntary basis to inform shareholders of the Company and potential investors of the latest business development of the Group.

NOVEMBER 2020 – ESTABLISHMENT OF ELECTRICITY POWER DIVISION

Given the continuous restructuring of the electricity power sector and the growing market of wind power and solar power in recent years, the Company officially established the Electricity Power Division in November 2020 to capture the growth opportunity of the new energy industry by launching services in the new energy sector which is based on wind and solar power generation, and other clean energy fields. New energy (solar energy, wind energy, etc.) inspection refers to the inspection of power equipment and systems (including power generating grid-connected systems, energy storage systems, micro-grid control equipment and power supply systems) that collect, convert, control, monitor and store electrical energy during the power generation process. We also offer one-stop solutions comprising technical and other auxiliary services to new energy investors, new energy (wind power, photovoltaic) equipment manufacturers, and clients of new energy acquisition and merger projects.

The establishment of the Electricity Power Division is in line with national policy and changing market trend, and is a full implementation of the Company’s 2+X growth strategy. On the basis of focusing on business related to inspection, testing and certification of the two major sectors, namely energy and commodity, the Group will, by fully leveraging its leading advantage in different segments and economies of scale, expand its service scope to the clean energy field to actively address climate change.

FEBRUARY 2021 – ACQUISITION OF TARGET COMPANIES AND ENTERING THE FIELD OF ENVIRONMENTAL TESTING AND INSPECTION

In February 2021, the Group acquired reputable target companies in the field of environmental testing and inspection. By leveraging the experience and resources accumulated by the target companies in this field, the Group began to provide environmental inspection and testing services, including services relating to ecological monitoring, consulting on environmental protection technology and carbon neutrality. The target companies have stable operating revenue, high profitability, and strong cash flow. By integrating the Group’s reputation, technology and management systems with the target companies’ technical advantages in this field, the Group accelerated the integration of resources to maximise enterprise value. The Group strives to assist our clients in enhancing their environmental, social and governance (ESG) standards with a more comprehensive business deployment, bringing a more sustainable development for society, the industry and the Group in the long term.

NOVEMBER 2021 – LAUNCH OF ONE-STOP LEAK DETECTION AND REPAIR (“LDAR”) SERVICE

In November 2021, the Group formally launched the one-stop Leak Detection and Repair (“LDAR”) service, further enhancing the Group’s service capabilities in environmental protection business. The LDAR business serves customers in numerous industries including crude oil processing and petroleum products manufacturing, organic chemical raw material manufacturing, API manufacturing for preparations, manufacturing of synthetic materials, plastics in primary forms and synthetic resins, synthetic rubber manufacturing, synthetic fibre monomer (polymer) manufacturing, coking and coal-to-chemicals, etc. LDAR technology involves the deployment of fixed or mobile detecting equipment catered for monitoring organic gases from reactors, raw material transport pipelines, pumps, compressors, valves, flanges and other primary sources of emissions of volatile organic compounds (VOCs) in chemical engineering facilities to detect leaks, and repairs leaking components whenever the concentration exceeds the pre-set threshold, so as to mitigate the level of environmental pollution caused by leaked substances.

LDAR business has great synergy with the Group’s existing business, and it can directly render more comprehensive one-stop services to our existing strategic customers, enhance our environmental protection service capabilities, and strengthen the key competitiveness and market position of the Company.

NOVEMBER 2021 – ESTABLISHMENT OF CLIMATE CHANGE AND SUSTAINABILITY DIVISION

In November 2021, the Group officially established the Climate Change and Sustainability Division, marking a further expansion in the scope of testing and inspection services provided by the Group from commodity, renewable energy and environmental protection sectors to carbon neutrality related fields. The Climate Change and Sustainability Division of the Group will provide customers with comprehensive solutions, which primarily include (1) carbon neutrality related advisory services: carbon emission evaluation, carbon footprint evaluation, carbon emission reduction target setting, carbon emission management index construction, low-carbon supply chain management, emission peak and carbon neutrality planning, carbon neutrality project advisory services, green manufacturing technical services, energy management and energy-saving diagnostic technical services, etc.; (2) carbon asset development and trading services: carbon asset evaluation and due diligence, carbon asset development and management, carbon asset appreciation management, carbon asset transaction, etc.; (3) ESG consultancy and technical services: ESG report preparation, ESG strategy formulation and system construction, ESG management enhancement and rating improvement, ESG special due diligence, etc.; and (4) low-carbon information comprehensive solution services: tailored low-carbon management information system, Software-as-a-Service (SaaS) carbon neutrality management platform, SaaS carbon asset management platform, etc.

Backed by the policies and strategic planning of China's central government regarding carbon peak and carbon neutrality, the integrated services market focusing on green and low-carbon development is well-positioned for rapid growth. In line with national policies and market demands, the Group established this new division to expand its business scope, render related services to its key strategic customers and proactively facilitate them to comprehensively enhance efficiency, save energy and reduce emissions, thereby achieving the low-carbon, green and sustainable development strategy.

UPDATE ON THE ABOVE NEW BUSINESS INITIATIVES

The Group achieved remarkable results in the past year in the implementation of the 2+X growth strategy. While focusing on business operations related to inspection, testing and certification in the two major sectors, namely energy and commodity, the Group has taken full advantage of its leading position and economies of scale and expanded its service scope to new energy, clean energy, environmental protection, and carbon peak and carbon neutrality related services. Leveraging its core competence in R&D, as well as its key advantages of long-term service for global leading energy and commodity enterprises, the Group accelerates expansion of new business.

Up to 25 January 2022, the Group has provided technical service support for 60 projects including large-scale wind and solar power generation projects in the field of new energy, with customers covering world leading engineering equipment manufacturers and international integrated solution providers in relation to clean energy, energy conservation, and environmental protection. The Group helps customers gradually achieve low-carbon transition and green development.

In the field of environmental protection, the Group has secured 6 projects, accelerating the conversion of the Group's research results of inspection and testing technologies, with customers covering large central SOEs such as giants in the gas industry and the petrochemical industry in China, as well as newly-secured state-owned holding companies ranking top 100 nationally in the pharmaceutical industry. The Group provides customers with full support to enhance their ESG management capabilities.

In the field of carbon asset technical consulting, soon after the Group established the business division, it has secured two customers, one of which is international industry leader among Fortune Global 500 in natural resources, and the other is the global leader in commodity industry. The Group provides them with full assistance in efficiency enhancement, energy conservation and emission reduction to help them achieve green and low-carbon development. The cooperation with international energy giants fully demonstrates that as an internationally-renowned inspection and testing institution, the Group's technical competence and brand credibility are well-recognised by global industry leaders.

The Group fully leverages its cooperation with global industry leaders to further advance allocation by pooling strengths and resources, continue to empower the green and low-carbon industry, and strengthen services capabilities. The Group's strategic focus on new energy, environmental protection, and carbon peak and carbon neutrality provides on-going momentum for the Group's business expansion. In the future, the Group will continue to expand and deepen cooperation with key customers, consolidate its leading position in the industry, and strive to set industry benchmarks in China.

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

Beijing, PRC, 25 January 2022

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