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 2021

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK$818.8 million (2020: HK$649.9 million (restated)) representing an increase of 26.0% when compared to last year.
- Profit for the year amounted to HK$89.7 million (2020: HK$80.0 million (restated)) representing an increase of 12.1% when compared to last year.
- Basic earnings per share was approximately HK11.43 cents (2020: HK11.94 cents (restated)).

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 2021 with the comparative figures for the year ended 31 December 2020 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 HK$'000	2020 HK$'000 (Restated)
Revenue	3	**818,828**	649,904
Cost of sales		**(472,437)**	(372,833)
Gross profit		**346,391**	277,071
Other income and other gains and losses		**11,758**	14,176
Selling and distribution expenses		**(28,106)**	(17,805)
Administrative expenses		**(182,978)**	(156,091)
Reversal of impairment losses (impairment losses) under expected credit loss model, net		**636**	(1,267)
Fair value changes of financial assets and liabilities at fair value through profit or loss		**(7,990)**	923
Other expenses		**(23,205)**	(12,827)
Finance costs		**(3,745)**	(4,432)
Profit before tax		**112,761**	99,748
Income tax expense	5	**(23,087)**	(19,752)
Profit for the year	6	**89,674**	79,996
Attributable to:			
Owners of the Company		**49,836**	52,455
Non-controlling interests		**39,838**	27,541
		89,674	79,996

	Note	**2021**	2020
		HK$'000	*HK$'000*
			(Restated)
Other comprehensive income (expense):			
Items that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**23,385**	17,365
Fair value change on investment in equity instrument at fair value through other comprehensive income		**–**	(936)
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(1,714)**	745
Other comprehensive income for the year, net of income tax		**21,671**	17,174
Total comprehensive income for the year		**111,345**	97,170
Attributable to:			
Owners of the Company		**70,759**	71,165
Non-controlling interests		**40,586**	26,005
		111,345	97,170
Earnings per share attributable to ordinary equity holders of the Company			
Basic	8	**HK11.43 cents**	HK11.94 cents
Diluted	8	**HK11.38 cents**	HK11.94 cents

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	**At 31 December 2021** *HK$'000*	At 31 December 2020 *HK$'000* (Restated)	At 1 January 2020 *HK$'000* (Restated)
Non-current assets				
Property, plant and equipment		**204,969**	177,647	156,673
Right-of-use assets		**67,399**	36,435	41,399
Investment properties		**20,673**	21,577	21,672
Goodwill		**30,348**	20,939	20,647
Intangible assets		**2,956**	3,636	4,252
Financial assets at fair value through profit or loss		**7,331**	–	–
Financial assets at fair value through other comprehensive income		**–**	–	905
Deferred tax assets		**590**	618	329
Prepayments, deposits and other receivables		**1,189**	12,363	6,484
		335,455	273,215	252,361
Current assets				
Trade receivables	9	**134,783**	128,938	105,875
Prepayments, deposits and other receivables		**36,585**	25,431	18,620
Pledged deposits		**8,672**	931	921
Cash and cash equivalents		**150,636**	93,726	84,810
		330,676	249,026	210,226
Current liabilities				
Trade payables	10	**39,513**	41,873	50,859
Contract liabilities		**2,794**	4,733	3,774
Other payables and accruals		**54,490**	63,866	47,830
Borrowings		**19,437**	29,690	61,455
Tax payable		**11,814**	11,587	1,664
Lease liabilities		**11,796**	15,846	15,251
Convertible bonds		**57,953**	–	–
Total current liabilities		**197,797**	167,595	180,833
Net current assets		**132,879**	81,431	29,393
Total assets less current liabilities		**468,334**	354,646	281,754

	At 31 December 2021 *HK$'000*	At 31 December 2020 *HK$'000* (Restated)	At 1 January 2020 *HK$'000* (Restated)
Non-current liabilities			
Borrowings	**3,463**	10,487	9,513
Deferred tax liabilities	**4,690**	4,600	5,753
Lease liabilities	**33,582**	15,641	20,006
	41,735	30,728	35,272
Net assets	**426,599**	323,918	246,482
Capital and reserves			
Share capital	**172**	155	155
Reserves	**347,466**	297,412	248,304
Equity attributable to owners of the Company	**347,638**	297,567	248,459
Non-controlling interests	**78,961**	26,351	(1,977)
Total equity	**426,599**	323,918	246,482

NOTES

For the year ended 31 December 2021

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 functional currency of the Company is Renminbi ("**RMB**").

Previously, the directors of the Company (the "**Directors**") prepared the consolidated financial statements of the Group in RMB. During the year ended 31 December 2021, the Directors changed the presentation currency of the consolidated financial statements from RMB to Hong Kong dollars ("**HK$**") as the Directors consider that it is an appropriate presentation for a company listed in Hong Kong and for the convenience of the shareholders 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 following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realisable value of inventories.

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts and the related Amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020[2]

[1] Effective for annual periods beginning on or after 1 April 2021
[2] Effective for annual periods beginning on or after 1 January 2022
[3] Effective for annual periods beginning on or after 1 January 2023
[4] Effective for annual periods beginning on or after a date to be determined

Except for the amendments to IFRSs mentioned below, the Directors anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in IFRS 3 *Business Combinations* so that it refers to the *Conceptual Framework for Financial Reporting* issued by the IASB in March 2018 (the "**Conceptual Framework**") instead of the International Accounting Standards Committee's *Framework for the Preparation and Presentation of Financial Statements* (replaced by the *Conceptual Framework for Financial Reporting* issued in September 2010);

- add a requirement that, for transactions and other events within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies IAS 37 or IFRIC 21 instead of Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 *Financial Instruments: Presentation*.

Based on the Group's outstanding liabilities as at 31 December 2021, the application of the amendments will not result in reclassification of the Group's liabilities.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Type of services		
Testing services	**520,304**	408,455
Surveying services	**223,617**	192,883
Witnessing and ancillary services	**74,907**	48,566
Total	**818,828**	649,904
Geographical markets		
Greater China	**520,177**	397,069
Singapore	**265,387**	223,856
Other countries/regions	**33,264**	28,979
Total	**818,828**	649,904
Timing of revenue recognition		
A point in time	**813,370**	649,904
Over time	**5,458**	–
Total	**818,828**	649,904

(ii) Performance obligations for contracts with customers

Rendering of services

The Group performs analytical tests 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 advance payments received for sales in which revenue has yet been recognised.

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

The Group provides supervision and equipment maintenance on-site. Such services are recognised as a performance obligation satisfied over time as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. Revenue is recognised for these services based on the stage of completion of the contract using output method.

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 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**	
	2021	2020	**2021**	2020
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Greater China	**520,177**	397,069	**229,944**	199,928
Singapore	**265,387**	223,856	**50,732**	46,580
Others	**33,264**	28,979	**45,669**	13,726
	818,828	649,904	**326,345**	260,234

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

Information about a major customer

During the years ended 31 December 2021 and 2020, revenue generated from one of the Group's customers – Customer A, accounting for 10% or more of the Group's total revenue.

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 Company's subsidiaries in the Mainland China are subject to income tax at a statutory rate of 25% on their respective taxable profit, 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 2021 and 2020.

The Company's subsidiaries incorporated in Singapore is subject to income tax at the rate of 17% 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.

	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Current income tax		
– Mainland China	**12,457**	10,461
– Other jurisdictions	**10,633**	7,891
Withholding tax of dividends distributed by a PRC subsidiary	**–**	2,883
	23,090	21,235
Deferred tax credit	**(3)**	(1,483)
Tax charge for the year	**23,087**	19,752

6. PROFIT FOR THE YEAR

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

	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Auditor's remuneration	**2,278**	1,845
Depreciation of property, plant and equipment	**25,844**	23,299
Depreciation of investment properties	**1,560**	1,469
Depreciation of right-of-use assets	**15,503**	15,278
Amortisation of intangible assets	**777**	757
Research and development costs (included in other expenses):		
– Current year expenditure	**22,908**	12,583
Employee benefit expenses (including directors' and the chief executive's remuneration):		
– Wages and salaries	**264,532**	220,472
– Pension scheme contributions	**26,152**	6,720
– Welfare and other expenses	**62,342**	43,207
– Equity-settled share compensation expense	**9,398**	263
	362,424	270,662
(Reversal of impairment losses) impairment losses under expected credit loss model, net:		
– Trade receivables	**(636)**	1,267

7. DIVIDENDS

	2021	2020
	HK$'000	*HK$'000*
		(Restated)
2020 Final – RMB0.0375 (2020: 2019 final dividend – RMB0.0375) per ordinary share	**18,030**	16,400
2021 Interim – HK$0.0225 (2020: 2020 interim dividend – nil) per ordinary share	**9,844**	–

Dividends for ordinary shareholders of the Company were recognised as distribution during the year after consideration of dividends on the shares held by the Company's share award scheme under the trust.

Subsequent to the end of the reporting period, a final dividend of HK$0.018 (2020: RMB0.0375) per share for the year ended 31 December 2021 has been proposed by the Directors 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 in issue during the year.

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

	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Earnings		
Profit for the year attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**49,836**	52,455

	Number of shares	
	2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**435,991,785**	439,348,451
Effect of dilutive potential ordinary shares:		
– Share options	**1,964,417**	–
Weighted average number of ordinary shares in issue during the year used in the diluted earnings per share calculation	**437,956,202**	439,348,451

The weighted average number of ordinary shares shown above for the years ended 31 December 2021 and 2020 has been arrived at after adjusting the shares held by the Company's share award scheme under the trust.

In addition, the number of shares adopted in the calculation of the basic and diluted earnings per share for the years ended 31 December 2021 and 2020 has been retrospectively adjusted to reflect the bonus shares issued in July 2021.

The computation of diluted earnings per share for the year ended 31 December 2021 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 2021. Also, the computation of diluted earnings per share for the year ended 31 December 2021 does not assume the conversion of the Company's outstanding convertible bonds since their assumed exercise would result in an increase in earnings per share.

The computation of diluted earnings per share for the year ended 31 December 2020 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.

9. TRADE RECEIVABLES

	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Trade receivables	**138,323**	133,175
Allowance for credit losses	**(3,540)**	(4,237)
	134,783	128,938

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 ranged from on demand and up to 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:

	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Within 3 months	**113,794**	105,370
Over 3 to 6 months	**12,712**	13,494
Over 6 months to 1 year	**5,065**	8,302
Over 1 to 2 years	**3,212**	1,772
	134,783	128,938

As at 31 December 2021, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$23,877,000 (2020: HK$26,190,000 (restated)) which are past due as at the reporting date. Out of the past due balances, HK$10,993,000 (2020: HK$10,186,000 (restated)) 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:

	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Within 3 months	**35,367**	33,029
Over 3 to 6 months	**1,117**	5,813
Over 6 months to 1 year	**2,919**	2,921
Over 1 to 2 years	**110**	110
	39,513	41,873

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

MANAGEMENT DISCUSSION AND ANALYSIS

I. Business Review

Riding on the booming TIC market and the advantage of the Group's leadership in various segments, the Company maintained a sound and steady growth momentum in 2021. During the period, the Company strived for steady growth while fully committed to the "2+X" growth strategy. The Company accurately captured the market trends in various segments, seized opportunities to acquire high-quality targets, and devised a forward-looking plan in advance for the areas of strategic advantages. Focusing on inspection, testing and certification business for the energy and commodity segments, the Company had extended the "X" business to the clean energy, environmental protection, carbon neutrality, and other ESG services at a pace beyond expectation. The Company capitalized on the synergy of various business segments to drive the overall growth of revenue.

Guided by the corporate values featuring long-term vision, the Company constantly boosted its capability in sustainable development and brand credibility, increasing strategic investments in new business initiatives, R&D and innovation, and talent programme to fortify its foothold against competitors. The Company made significant strategic investments in the new business areas to extend boundary of business growth on an ongoing basis. During the period, Environmental Protection Division as well as Climate Change and Sustainability Division were set up, and the Group successfully extended its service scope into LDAR and carbon reduction. During the period, the Group's headcount increased by 459, and the Company was involved in 9 large-scale projects in total, in an ongoing attempt to empower transition to green energy and low carbon. As an effort to create new profit drivers, the Company stepped up its investment in the "X" business, laying a solid cornerstone for the Group's future growth.

Fast-growing new business segments

Clean Energy Business: The Company established the Electricity Power Division at the end of 2020 to capture the growth opportunity arising from the new energy industry by launching testing services in the new energy sector which is based on wind and solar power generation, and other clean energy fields. Up to now, the Company has served 10 customers covering world leading engineering equipment manufacturers and international integrated solution providers in relation to clean energy, energy conservation and environmental protection, and provided technical service support for more than 60 projects including large-scale wind and solar power generation projects. The Group helps customers gradually achieve low-carbon transition and green development.

Environmental Protection Business: In February 2021, the Company acquired reputable target companies in the environmental protection field and began to provide environmental inspection and testing services, including services relating to ecological monitoring, consulting on environmental protection technology and carbon neutrality. In November, the Company launched the Leak Detection and Repair ("**LDAR**") service, further enhancing the Company's service capabilities in the environmental protection business. Up to now, the Company has secured 6 LDAR projects, 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.

Carbon Neutrality Service Business: In November of the same year, the Company officially established the Climate Change and Sustainability Division, representing a further expansion to the carbon neutrality related fields to provide customers with comprehensive solutions, which primarily include carbon neutrality related advisory services, carbon asset development and trading services, ESG consultancy services, as well as low-carbon information comprehensive solution services, etc. Up to now, the Company has secured 2 customers, one of which is an international industry leader among Fortune Global 500 in natural resources, and the other is the global leader in the 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 sustainable development.

Well-positioned global network

The Group secured significant market share and surpassed all other domestic listed peers in the TIC industry. As at the end of 2021, the Group's key performance indicators in overseas markets, i.e. business revenue, the number of outlets, the number of professional service personnel and the number of leading international customers, all ranked first among China's TIC listed companies. The Group focused on international expansion, established effective marketing strategy and marketing coverage, and became the first Chinese TIC company to successfully develop overseas business. The Group covered key ports and hub cities in the Asia-Pacific region, and comprises 58 branches and project laboratories, creating a strong advantage in delivering services globally. The Group actively responded to national policies relating to the "Belt and Road" initiative. During the year, the Company secured PowerChina Resources Limited's coal-fired power plant project in Barisal, Bangladesh as the sole independent inspection service provider, through which the Company helped to improve the infrastructure of the power sector in Bangladesh and laid a foundation for the expansion of comprehensive TIC services in Bangladesh.

Growing Brand Influence and Global Credibility

The Group's brand influence and global credibility continued to enhance. In 2018, the Group joined IFIA as a full member. In 2019, the Group joined TIC Council, the most influential international organisation in the TIC industry, as a full member. Comprehensive accreditations further endorsed the group's credibility internationally. With strong R&D capabilities and extensive qualifications, the Group provides 24/7 professional testing, inspection, measurement, certification, consultation and related technical services for global customers, primarily the global industry leaders. The Group's customers include but are not limited to such leading enterprises as CHN Energy, Shaanxi Coal Group, China Coal Group, Yitai Group, Datang Group, China Resources Group, CNPC, SINOPEC, CNOOC, ChemChina, SinoChem, Goldwind Technology, Sany Heavy Industry, China Huadian Corporation, Beijing Gas Group, Baiyunshan Chemical Pharmaceutical Factory, Shell, Exxon-Mobil, Chevron, Total, Saudi Aramco, ENOC and other renowned industry players. The partnerships between the Group and the industry giants fully reflect the Group's international reputation as a world-renowned third-party quality assurance service provider, which has been highly recognised by our customers globally.

II. Business Strategies and Future Prospects

Future Prospects

Given the ongoing pandemic and geopolitical tensions around the world, global economic recovery is subject to diverse challenges. Global economic growth is expected to slow down to 4.1% in 2022[1]. In particular, China has a strong economic growth momentum and performs better in high-quality development. China's GDP growth is expected about 5.5% in 2022 in the government report early this year, remaining the biggest driving force for global economic growth[2]. According to the Markets and Markets' forecast, the global TIC industry will grow at a compound annual growth rate (CAGR) of 3.6% from 2020 to 2025. It is estimated that the size of the global TIC industry will exceed €250 billion by 2025 and the global TIC market will see more positive and steady development. In particular, the Asia-Pacific TIC market has the largest market share and the highest growth rate, and is expected to grow at the highest CAGR in the forecast period[3]. As an industry leader in the Asia-Pacific region, the Group will further seize opportunities arising from the industry to expand related business in the TIC markets at home and abroad, and maintain a leading position in various segments.

1 https://www.shihang.org/zh/publication/global-economic-prospects

2 http://www.people.com.cn/n1/2022/0118/c32306-32333975.html

3 https://www.marketsandmarkets.com/Market-Reports/testing-inspection-certification-market-5352498.html?gclid=EAIaIQobChMI54DL9LGK8AIVRFtgCh0OEgJGEAAYASAAEgLGhvD_BwE

The global economy is shifting from a conventional growth model to a green and sustainable path, with many countries stepping up investment and growth in the eco field, and creating new economic drivers characterised by low-carbon emissions. The Group's key strategic customers are the core participants in building a clean, low-carbon, safe and efficient energy systems. The Group will focus on our strategic customers prioritise on ESG related services, and integrate resources to help customers achieve sustainable development. The Group will strive to capture more business opportunities in the vast market driven by green and low-carbon transition to achieve rapid development.

FINANCIAL REVIEW

Overview

	2021	2020	**Change**
	HK$'000	*HK$'000*	
		(Restated)	
Revenue	**818,828**	649,904	26.0%
Profit before tax	**112,761**	99,748	13.0%
Profit for the year	**89,674**	79,996	12.1%

Revenue

The Group's revenue increased by 26% from approximately HK$649.9 million (restated) in 2020 to approximately HK$818.8 million in 2021. The revenue growth is mainly due to:

(1) New businesses emerging as a new growth engine: Our "2+X" growth strategy borne remarkable fruits, leading to a significant year-on-year growth in revenue during the period. The Company established the Electricity Power Division at the end of 2020, to advance its clean energy business smoothly during the period. In February 2021, the Company set foot in the environmental protection field, followed by an expansion to leak detection and repair ("**LDAR**") service in November to enhance its environmental testing service capabilities. The Climate Change and Sustainability Division was also set up during the period to extend our service offerings for low carbon transition. The Company secured a string of major clients and large project contracts during the period, creating a strong revenue driver to expand our overall earnings.

(2) Increasing customer base and loyalty: Benefiting from the booming TIC market, we leveraged our leading advantage to increase collaboration with existing customers, while continuing to cement ties with news customers. In a sustainable development approach, our well-established quality control enabled us to constantly improve our operational efficiency, brand credibility and industry influence, and capitalise on the synergy of various business segments, laying a foundation for solid revenue growth during the period.

	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Testing services	**520,304**	408,455
Surveying services	**223,617**	192,883
Witnessing and ancillary services	**74,907**	48,566
	818,828	649,904

Profit for the Year

The Group's profit for the year increased by 12.1% from approximately HK$80.0 million (restated) in 2020 to approximately HK$89.7 million in 2021. The Group prioritised on long-term sustainable growth and increased strategic investments and expenditures in numerous areas during the year:

(1) Investment in new businesses: The Company made significant strategic investments in the new business lines. During the period, two new divisions, namely Environmental Protection Division as well as Climate Change and Sustainability Division, were set up coupled with the newly introduced LDAR and carbon neutrality services. During the period, we invested in a total of 9 large projects, and stepped up our proprietary R&D investment in digital management systems to fortify our foothold against competitors. In addition, we continued to expand our talent pool to support rapid growth of new business lines, and the Group's headcount increased by 459. Higher investment costs for new business lines and project development as well as increased staff costs led to higher total operating expenses, but paved the way for future profit growth.

(2) Talent investment: Embracing the people-oriented concept, we had placed the highest value on our employees as part of our mission for mutual and sustainable success both for the Company and individual staff members. While increasing investment in talent programmes including the management trainee programme, we continued to improve our corporate governance structure and long-term incentive mechanism. By expanding our equity-based incentive schemes, we aimed to reward key staff members for their significant contributions to our business. A comprehensive incentive mechanism balancing the Company's long-term interests with short-term benefits was conducive to attracting and retaining excellent talents and boosting motivation. Building on effective and efficient remuneration mechanisms, we effectively balanced the interests of shareholders, the Company and key team members to create a shared interest community for sustainable development of the Company. Equity-settled employee incentives during the period amounted to HK$9.4 million.

(3) Strengthen cash position for potential M&A opportunities: Under a proactive business expansion strategy, we acquired Saybolt China, Saybolt Hong Kong and Saybolt Singapore in recent years, achieving an important milestone for our globalisation and diversification. During the period, the Company successively acquired Tianjin Zhiheng and Tianjin Huaneng, two high-quality targets in environmental monitoring, to successfully extend our footprint to the environmental sector. Drawing upon previous successful acquisition experience, the Company continued to focus on potential M&A targets. The Company issued convertible bonds during the period to further optimise the capital structure, strengthen cash position and expansion with a focus on ESG and carbon neutrality. The fair value loss on the convertible bonds amounted to approximately HK$8.0 million was recognised for the current year, which was non-cash and non-operating in nature.

Cash and Cash Equivalents

The Group's cash and cash equivalents consist primarily of cash and bank balances denominated in RMB, HKD, USD and SGD. The Group remained in a strong cash position throughout 2020 and 2021, with cash and cash equivalents of HK$93.7 million (restated) and HK$150.6 million as at 31 December 2020 and 2021 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.

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the period under review. To manage the Group's liquidity risk, the management monitors the Group's liquidity position and maintains sufficient cash and cash equivalents within the Group, as well as ensuring the availability of funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group.

Contingent Liabilities

As at 31 December 2021, 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 borrowings and convertible bonds, 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.

	2021	2020
	HK$'000	*HK$'000*
		(Restated)
Trade payables	**39,513**	41,873
Other payables and accruals	**54,490**	63,866
Borrowings	**22,900**	40,177
Convertible bonds	**57,953**	–
Less: Cash and cash equivalents	**(150,636)**	(93,726)
Net debt	**24,220**	52,190
Equity attributable to owners of the Company	**347,638**	297,567
Capital and net debt	**371,858**	349,757
Gearing ratio	**6.51%**	14.92%

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.

EVENT AFTER THE REPORTING PERIOD

The Group has no significant events after the reporting year up to the date of this announcement.

EMPLOYEES

As of 31 December 2021, the Group had 2,112 (2020: 1,653) 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.

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 2021.

DIVIDEND

The Board recommends the payment of a final dividend of HK$0.018 per share in respect of the year ended 31 December 2021 to shareholders whose names appear on the register of members of the Company on Monday, 4 July 2022. The proposed final dividend will be paid on or around Friday, 15 July 2022, subject to approval at the annual general meeting of the Company to be held on Thursday, 16 June 2022 (the "**AGM**"). The proposed final dividend shall be declared and paid in Hong Kong dollars.

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, 4 July 2022. 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 Friday, 15 July 2022.

CLOSURE OF REGISTER

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

(i) Book Close Dates for 2022 AGM

from Monday, 13 June 2022 to Thursday, 16 June 2022, 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, 10 June 2022; and

(ii) Book Close Dates for Final Dividend and Bonus Shares

from Tuesday, 28 June 2022 to Monday, 4 July 2022, 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, 27 June 2022.

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 in force during the year ended 31 December 2021 as set out in Appendix 14 (version up to 31 December 2021) to the Listing Rules (the "**CG Code**").

The requirements under the new Corporate Governance Code as set out in Appendix 14 to the Listing Rules (the "**New CG Code**") which came into effect on 1 January 2022 shall apply to the Company's corporate governance report for the financial year commencing on 1 January 2022.

For the year ended 31 December 2021, 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 of the CG Code (which was rearranged to code provision C.2.1 of the New CG Code).

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 (which was rearranged to code provision C.2.1 of the New 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 2021.

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 2021 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 and consequently no opinion or assurance conclusion 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 2021 and this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites 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 2021 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, 30 March 2022

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