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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2022

FINANCIAL HIGHLIGHTS

- The Group's revenue for the Period amounted to approximately HK$431.8 million, representing an increase of 10.7% from approximately HK$389.9 million (restated) for the six months ended 30 June 2021.
- The Group's profit attributable to owners of the Company for the Period amounted to approximately HK$35.8 million, representing an increase of 10.2% from approximately HK$32.5 million (restated) for the six months ended 30 June 2021.
- Earnings per share (basic) attributable to ordinary equity holders for the Period amounted to HK8.19 cents, representing an increase of 9.6% from HK7.47 cents (restated) for the six months ended 30 June 2021.

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**" or "**China Leon**" and, together with its subsidiaries, collectively the "**Group**") is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2022 (the "**Period**"), together with the comparative figures for the corresponding period in 2021 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Notes	Six months ended **30 June 2022** **(Unaudited)** ***HK$'000***	30 June 2021 (Unaudited) *HK$'000* (Restated)
REVENUE	*3*	**431,761**	389,875
Cost of sales		**(249,802)**	(225,694)
Gross profit		**181,959**	164,182
Other income and other gains and losses	*4*	**6,887**	5,258
Selling and distribution expenses		**(14,236)**	(12,720)
Administrative expenses		**(112,979)**	(87,775)
Impairment losses under expected credit loss model, net		**–**	(1,318)
Fair value changes of financial assets and liabilities at fair value through profit or loss		**6,600**	178
Other expenses		**(11,516)**	(5,130)
Finance costs		**(2,153)**	(2,303)
PROFIT BEFORE TAX	*5*	**54,562**	60,372
Income tax expense	*6*	**(8,997)**	(11,333)
PROFIT FOR THE PERIOD		**45,565**	49,039
Attributable to:			
Owners of the Company		**35,822**	32,492
Non-controlling interests		**9,743**	16,547
		45,565	49,039

	Note	Six months ended 30 June 2022 (Unaudited) HK$'000	30 June 2021 (Unaudited) HK$'000 (Restated)
Other comprehensive (expense) income:			
Item that will not be reclassified to profit or loss:			
Fair value change on investment in equity instrument at fair value through other comprehensive income		**(4,198)**	6,890
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**(1,190)**	(2,905)
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD, NET OF INCOME TAX		**(5,388)**	3,985
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**40,177**	53,024
Attributable to:			
Owners of the Company		**31,916**	36,134
Non-controlling interests		**8,261**	16,890
		40,177	53,024
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
Basic	*8*	**HK8.19 cents**	HK7.47 cents
Diluted	*8*	**HK8.18 cents**	HK7.46 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	At 30 June 2022 (Unaudited) HK$'000	At 31 December 2021 (Audited) HK$'000
Non-current assets			
Property, plant and equipment		**192,423**	204,969
Right-of-use assets		**66,575**	67,399
Investment properties		**19,009**	20,673
Goodwill		**28,710**	30,348
Intangible assets		**2,506**	2,956
Financial assets at fair value through profit or loss		**7,685**	7,331
Deferred tax assets		**587**	590
Prepayments, deposits and other receivables		**8,849**	1,189
		326,344	335,455
Current assets			
Trade receivables	*9*	**131,584**	134,783
Prepayments, deposits and other receivables		**46,209**	36,585
Pledged deposits		**9,964**	8,672
Cash and cash equivalents		**183,342**	150,636
		371,099	330,676
Current liabilities			
Trade payables	*10*	**34,491**	39,513
Contract liabilities		**2,763**	2,794
Other payables and accruals		**42,865**	54,490
Borrowings		**35,129**	19,437
Tax payable		**16,381**	11,814
Lease liabilities		**10,776**	11,796
Convertible bonds		**51,353**	57,953
		193,758	197,797
Net current assets		**177,341**	132,879
Total assets less current liabilities		**503,685**	468,334

	At 30 June 2022 (Unaudited) *HK$'000*	At 31 December 2021 (Audited) *HK$'000*
Non-current liabilities		
Borrowings	**–**	3,463
Deferred tax liabilities	**4,409**	4,690
Lease liabilities	**26,496**	33,582
	30,905	41,735
Net assets	**472,780**	426,599
Capital and reserves		
Share capital	**172**	172
Reserves	**385,386**	347,466
Equity attributable to owners of the Company	**385,558**	347,638
Non-controlling interests	**87,222**	78,961
Total equity	**472,780**	426,599

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2022

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2022 have been prepared in accordance with International Accounting Standard ("**IAS**") 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (the "**IASB**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2021.

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$**") as the Directors consider that it is an appropriate presentation for a company listed in Hong Kong and for the convenience of the shareholders of the Company. The comparative figures for the six months ended 30 June 2021 have been restated in HK$.

2. CHANGES IN ACCOUNTING POLICIES

The condensed consolidated interim financial statements have been prepared on the historical cost basis. Other than changes in accounting policies resulting from the application of amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2021.

Application of amendments to IFRSs

In the current period, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Annual Improvements to IFRSs 2018–2020	Amendments to IFRS 1, IFRS 9, Illustration Examples accompanying IFRS 16 and IAS 41

2.1 Impacts on application of amendments

Amendments to IFRS 3, Reference to the Conceptual Framework

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 *Business Combinations* to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the condensed consolidated interim financial statements of the Group.

Amendments to IAS 16, Property, Plant and Equipment: Proceeds before Intended Use

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the condensed consolidated interim financial statements of the Group.

Amendments to IAS 37, Onerous Contracts — Cost of Fulfilling a Contract

An onerous contract is a contract under which the unavoidable costs (i.e. the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services include both incremental costs (e.g. the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g. depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the condensed consolidated interim financial statements of the Group.

Annual Improvements to IFRSs 2018–2020

- IFRS 1 *First-time Adoption of International Financial Reporting Standards — Subsidiary* as a first-time adopter

  The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

  These amendments had no impact on the condensed consolidated interim financial statements of the Group as it is not a first-time adopter.

- IFRS 9 *Financial Instruments* — Fees in the '10 per cent' test for derecognition of financial liabilities

  The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

  These amendments had no impact on the condensed consolidated interim financial statements of the Group.

- IFRS 16, *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

- IAS 41 *Agriculture* — Taxation in fair value measurements

  The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

  These amendments had no impact on the condensed consolidated interim financial statements of the Group.

3. REVENUE

Disaggregation of revenue from contracts with customers

Segments	Six months ended **30 June 2022** **(Unaudited)** ***HK$'000***	30 June 2021 (Unaudited) *HK$'000* (Restated)
Type of services		
Testing services	**279,920**	249,575
Surveying services	**111,025**	104,102
Witnessing and ancillary services	**40,816**	36,198
Total	**431,761**	389,875
Geographical markets		
Greater China	**289,913**	216,562
Overseas	**141,848**	173,313
Total	**431,761**	389,875
Timing of revenue recognition		
A point in time	**431,761**	389,875
Total	**431,761**	389,875

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Other income		
Interest income	**432**	30
Value-added and other tax refund	**1,305**	776
Government subsidies	**3,944**	3,967
Rental income	**814**	798
	6,495	5,571
Other gains and losses		
Impairment loss recognised in respect of goodwill	**–**	(684)
Gain (loss) on foreign exchange difference	**145**	(581)
Loss on disposal of items of property, plant and equipment	**(335)**	(85)
Others	**582**	1,037
	392	(313)
	6,887	5,258

5. PROFIT BEFORE TAX

	Six months ended	
	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
The Group's Profit before tax has been arrived after charging:		
Depreciation of property, plant and equipment	**19,074**	15,675
Depreciation of investment properties	**760**	761
Depreciation of right-of-use assets	**8,106**	8,463
Amortisation of intangible assets	**501**	368
Research and development costs (included in other expenses):		
— Current period expenditure	**11,378**	4,995
Impairment losses under expected credit loss model, net	**–**	1,318

6. INCOME TAX EXPENSE

	Six months ended	
	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Current income tax		
— Mainland China	**6,753**	7,396
— Other jurisdictions	**2,244**	3,937
	8,997	11,333

7. DIVIDENDS

The proposed final cash dividend of HK$0.018 per share for the year ended 31 December 2021 was approved by the Company's shareholders on 16 June 2022. On 30 August 2022, the Board of Directors declared an interim dividend of HK$0.022 per share for the six months ended 30 June 2022 (six months ended 30 June 2021: HK$0.0225).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30 June 2022	30 June 2021
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
		(Restated)
Profit for the period attributable to owners of the Company, used in the basic and diluted earnings per share calculation	**35,822**	32,492
Shares	***'000***	*'000*
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**437,134**	434,753
Effect of dilutive potential ordinary shares:		
— Share options	**666**	935
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	**437,800**	435,688

The weighted average number of ordinary shares shown above for the six months ended 30 June 2022 and 2021 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 six months ended 30 June 2021 has been retrospectively adjusted to reflect the bonus shares which became effective in July 2021.

The computation of diluted earnings per share for the six months ended 30 June 2022 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 2022. Also, the computation of diluted earnings per share for the six months ended 30 June 2022 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 six months ended 30 June 2021 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 2021.

9. TRADE RECEIVABLES

	30 June 2022 (Unaudited) *HK$'000*	31 December 2021 (Audited) *HK$'000*
Trade receivables	**135,028**	138,323
Allowance for credit losses	**(3,444)**	(3,540)
	131,584	134,783

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

	30 June 2022 (Unaudited) *HK$'000*	31 December 2021 (Audited) *HK$'000*
Within 3 months	**110,663**	113,794
3 to 6 months	**5,840**	12,712
6 months to 1 year	**13,273**	5,065
1 to 2 years	**1,808**	3,212
	131,584	134,783

10. TRADE PAYABLES

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

	30 June 2022 (Unaudited) *HK$'000*	31 December 2021 (Audited) *HK$'000*
Within 3 months	**28,478**	35,367
3 to 6 months	**2,097**	1,117
6 months to 1 year	**3,714**	2,919
1 to 2 years	**202**	110
	34,491	39,513

11. EVENTS AFTER THE REPORTING PERIOD

As disclosed in the circular and the announcement of the Company dated 12 May 2022 and 16 June 2022 respectively, the bonus issue (the "**Bonus Issue**") was made on the basis of one (1) bonus share for every ten (10) existing shares in issue held on the record date, i.e. 4 July 2022, by the qualifying shareholders. As at 4 July 2022, there were in total 443,509,800 shares in issue. The number of bonus shares issued under the Bonus Issue was 44,350,980 shares.

Pursuant to the terms of the share option scheme (the "**Share Option Scheme**") adopted by the Company on 5 May 2017, the exercise price of the share options granted under the Share Option Scheme and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the 42,996,200 outstanding share options were adjusted as a result of the Bonus Issue.

Pursuant to the terms of the 5-year 2% coupon unlisted convertible bonds in principal amount of HK$50,000,000 issued by the Company on 11 June 2021 (the "**Convertible Bonds**"), the conversion price of the Convertible Bonds and the number of conversion shares to be allotted and issued upon full conversion of the Convertible Bonds were adjusted as a result of the Bonus Issue.

Details of the number of bonus shares issued and adjustments to share options and Convertible Bonds are disclosed in the announcement of the Company dated 5 July 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Various unexpected factors, including the intensified international geopolitical conflict and the continuous impact of the global pandemic, had brought tremendous challenges to the business operations during the Period. The Group delivered stable performance amid the challenging business environment, and continued to enhance its sustainability and brand credibility. The Group streamlined decision-making, and continued to strengthen its operational efficiency and core competitive advantages to better seize opportunities amidst challenges. By fully capturing the extensive development opportunities in the green and low-carbon transformation industry, we continued high-quality and steady development momentum during the Period. With sound progress in business results, we managed to further consolidate our leading position in our niche markets.

During the Period, the Group actively expanded its presence from major trading ports and hub cities in the Asia Pacific region to emerging markets in South America and Africa. Currently, the Group has 61 branches and laboratories in various countries including Singapore, Indonesia, Malaysia, India, Pakistan, Australia, Brunei, Bangladesh, Argentina and South Africa. By leveraging on the geographical advantages of our network, the Group provided better services to our global industry-leading customers.

ESG-oriented development is a key priority for the Group's "2+X" development strategy. During the period, we continued to devote increasing resources to ESG and enhanced the management structure and ESG development policies, facilitating the smooth implementation of our ESG development initiatives. We are committed to fulfilling our corporate social responsibility and environmental protection responsibilities, which are fully integrated into our corporate culture and routine business practices. The Company provides a wide range of inspection, testing and technical and consulting services in four key areas, including natural resource and commodity, clean energy, environmental protection and climate change, to empower green and low-carbon transformation for global industry leaders. Through the three main implementation dimensions of (1) ESG+[1]; (2) ESG-Focused[2]; and (3) ESG-Friendly[3], we have achieved our ESG development strategies, fulfilled our corporate social responsibility, contributed to the green and low-carbon transformation of the industry and facilitated the achievement of the carbon neutrality goal of the society. Details of business progress under each dimension during the period are set out below.

1. ESG+: Business making a directe and positive contribution to ESG
2. ESG-Focused: Strategy focusing on ESG
3. ESG-Friendly: Business fully facilitating the development of ESG

I. ESG+:

The Company's ESG+ business consists of three core business sectors, namely clean energy, environmental protection and climate change, focusing on environmental protection and supporting clients to actively respond to climate change, thereby directly contributing to the development of green and low-carbon transformation of the industry.

1) **Clean energy business:** The Company provides testing services in the new energy segment based on wind power and solar power generation, as well as other clean energy fields. Capitalizing on our brand credibility, we have extended our reach to provide professional technical service support for various projects including major wind and solar power generation projects. During the Period, our Clean Energy Business segment secured 5 new projects, driving the gradual eco-friendly and low-carbon transformation of the electric energy system.

2) **Environmental protection business:** The Company provides environmental inspection and testing services, including services relating to ecological monitoring, consulting on environmental protection technology, environmental impact assessment, soil pollution investigation, professional total solution operator for environmental protection, as well as sales and operation maintenance of online monitoring equipment, with a huge customer base covering major and local state-owned enterprises focused on domestic gas industry giants and petrochemical industry giants. During the Period, we secured one government project in the environmental protection business, in which we served as the professional total solution operator for environmental protection in a national-level energy cycle industrial park. We offered services including monitoring, trouble shooting, trainings on environmental policies, and technical support in carbon reduction and emission reduction. In addition, the Company further strengthens its environmental protection service offerings through leakage detection and repair ("LDAR") services, which plays a major role in low-carbon transition and serves as a critical component to achieve carbon neutrality objectives. During the Period, the Company launched 3 large LDAR projects, rendering full support to customers' energy saving and emission reduction.

3) **Climate change business:** The Company provides comprehensive solutions for customers, mainly covering technical services such as carbon neutrality consulting, carbon asset development and trading, ESG consulting and low-carbon information integrated solution services. All the relevant key strategic customers are core participants in establishing clean, low-carbon, safe and efficient energy systems. The Company actively assisted its customers to

enhance efficiency, reduce energy usage and reduce emissions with a view to support their sustainable low-carbon and green development strategy. During the Period, the ESG+ business continued to gain momentum with the initiation of 2 new projects of climate change business. The Company successfully supported industry-leading customer to achieve their corporate carbon neutrality targets through its one-stop comprehensive carbon neutrality solution, assisting them to fully fulfill their corporate social responsibility and become industry leaders in terms of low-carbon and sustainable development. Additionally, to raise the public's awareness on carbon peaking, carbon neutrality as well as green and low-carbon transformation, the Company compiled the first "Global Voluntary Carbon Market Report (全球自願碳市場報告)" of the Group to better inform the public of the current development of the global voluntary carbon market, so as to encourage a more positive impact on the long-term sustainable development of the environment and society.

II. ESG-Focused:

Capturing the global trend of green and sustainable economic development and fully utilizing the favorable government policies, the Company has been focusing on "ESG-oriented development", while continuing to upgrade its own ESG management standards, strive to fulfil its social responsibility, establish industry benchmarks and enhance its brand influence to achieve long-term sustainable development. Meanwhile, we strengthened our sustainability, continued to enhance our professional service capability in ESG-related fields such as green and energy saving and emission reduction services and focused on potential investment opportunities to better support our customers in achieving green and low-carbon transformation.

III. ESG-Friendly:

Traditional natural resource and commodity inspection business is the pillar of the Company's core business. Through years of remarkable efforts and growth, the Group has established its leading market position in the segments with distinguished brand credibility. By thoroughly implementing its long-term vision of sustainable development and upholding the fundamental principles of fairness and impartiality, the Group continued to expand its professional service capacity in trade support services to facilitate better flow of global trade. The Company also made further R&D investment and participated in the formulation and revision of standards to propel the development of industry standards. By fully exploiting the brand credibility, the Company has obtained 18 categories of professional qualification and certifications. Through the in-house R&D Center (力鴻能源檢測技術研究院) focused on the innovation of testing and inspection technologies, the Company ensures efficient and superior service quality and better serves the key industry leaders. Through its reputable service competence and core scientific research strength, the Company continuously strengthened its cooperation with existing customers.

Prospect

In recent years, the world has accelerated its efforts to curb carbon emission. With the gradual rollout of low-carbon transition implementation program in key industries, total conviction of green and low-carbon development has become the key for successful evolution of the economy and society from the traditional growth model to the green and sustainable development model. Building on its strong brand advantage and solid operation capability, the Group will continue to capture new opportunities with significant growth potentials focused on green and low-carbon development. Meanwhile, the Group will fully grasp the cooperation opportunities with major customers, facilitate the industry leaders to achieve better energy efficiency and emission reduction and enhance their overall capabilities in ESG development.

Financial Review

Overview

	For the six months ended 30 June		
	2022	2021	Change
	(Unaudited)	(Unaudited)	
	HK$'000	*HK$'000*	
		(Restated)	
Revenue	**431,761**	389,875	10.7%
Profit attributable to owners of the Company	**35,822**	32,492	10.2%

Revenue

The Group's revenue increased by 10.7% from approximately HK$389.9 million (restated) for the six months ended 30 June 2021 to approximately HK$431.8 million for the Period. During the Period, ongoing global uncertainties created significant headwinds for business operations. The international geopolitical conflicts negatively affected the stability of energy supply, and the frequent outbreak of COVID-19 globally increased the substantial downward pressure on the economy. While the business operation of the Group sustained short-term adversity during the Period, the Group tided over the challenges by increasing collaboration with its major customers to further strengthen customer loyalty. With effective and refined management, the Group has significantly delivered its operational efficiency and fully maximized synergies among various business segments, achieving steady revenue growth during the Period despite the market slowdown.

Profit attributable to owners of the Company

The Group's profit attributable to owners of the Company for the Period increased by 10.2% from approximately HK$32.5 million (restated) for the six months ended 30 June 2021 to approximately HK$35.8 million in the Period. In the first half year, although the Group's operations were under great pressure due to the unfavorable external environment such as international geopolitical conflicts, COVID-19 pandemic, inflation as well as interest rate hikes, the Group prioritized the long-term vision of sustainable development and continued the investment in the development of staff and business expansion. While being fully committed to the "ESG development strategies", the Company continued to increase investment in ESG+ business in terms of clean energy, environmental protection and climate change during the Period. In addition, to facilitate the expansion of ESG+ business, we continuously expanded our pool of talent and enhanced the long-term incentive mechanism. Equity-settled employee incentives during the Period amounted to HK$8.2 million. The increased costs for new project development and staff development led to higher total operating expenses in the first half year. Meanwhile, by continuous efforts in strengthening quality control and further enhancing economic efficiency through effective cost control, we managed to drive the overall growth of all business segments and achieve steady growth in overall operating results during the Period.

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 30 June 2022, 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%. Net debt is calculated as trade payables, other payables and accruals, interest-bearing bank loans and other loans, convertible bonds, less cash and cash equivalents as shown in the condensed consolidated statement of financial position. Total capital is calculated as "equity attributable to owners of the Company" as shown in the condensed consolidated statement of financial position.

	30 June 2022 HK$'000	31 December 2021 HK$'000
Trade payables	**34,491**	39,513
Other payables and accruals	**42,865**	54,490
Borrowings	**35,129**	22,900
Convertible bonds	**51,353**	57,953
Less: Cash and cash equivalents	**(183,342)**	(150,636)
Net debt *(Note)*	**–**	24,220
Equity attributable to owners of the Company	**385,558**	347,638
Capital and net debt	**385,558**	371,858
Gearing ratio	**–**	6.51%

Note: Net debt is zero when the amount of cash and cash equivalents is higher than gross debt.

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 recognised 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, and its exposure to bad debts is not significant. 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 the carrying amounts of these assets.

Material Acquisition and Disposal

During the six months ended 30 June 2022, the Group had no material acquisitions or disposals of subsidiaries, associate and joint ventures.

HUMAN RESOURCES

As at 30 June 2022, the Group had 2,327 employees (For the six months ended 30 June 2021: 1,781) 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 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.

PAYMENT OF INTERIM DIVIDEND

The Board declared payment of an interim dividend of HK$0.022 (2021: HK$0.0225) per ordinary share for the six months ended 30 June 2022. The interim dividend will be paid on or about Friday, 28 October 2022 to the shareholders whose names appear on the register of members of the Company on Friday, 14 October 2022.

CLOSURE OF REGISTER OF MEMBERS AND OTHER KEY DATES

To determine the shareholders' entitlement to the interim dividend:

Ex-entitlement date for interim dividend	:	Friday, 7 October 2022
Latest time for lodging transfer documents of shares	:	4:30 p.m. on Monday, 10 October 2022
Period of closure of register of members	:	Tuesday, 11 October 2022 to Friday, 14 October 2022 (both days inclusive)
Record date	:	Friday, 14 October 2022

In order to qualify for the interim dividend, all share 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 the latest time for lodging transfer documents of shares set out above.

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 the new Corporate Governance Code (the "**New CG Code**") in force for the financial year commencing 1 January 2022 as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). During the Period, save as disclosed below, the Company had complied with the code provisions as set out in 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 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" 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 in relation to the Company and/or its securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Period.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold, or redeemed any of the Company's listed securities during the Period.

REVIEW OF FINANCIAL INFORMATION

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

The Audit Committee has reviewed the unaudited condensed consolidated interim financial statements of the Group for the Period.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and on the website of the Company at www.leontest.com. The interim report of the Company for the Period containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and published on the above websites in due course.

On behalf of the Board
China Leon Inspection Holding Limited
Yang Rongbing
Executive Director

Beijing, PRC, 30 August 2022

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

Executive Directors:
Mr. Li Xiangli *(Chairman and CEO)*
Ms. Zhang Aiying *(Vice President)*
Mr. Liu Yi *(Vice President)*
Mr. Yang Rongbing *(Vice Chairman)*

Non-executive Director:
Mr. Hao Yilei

Independent Non-executive Directors:
Mr. Wang Zichen
Mr. Zhao Hong
Mr. Liu Hoi Keung