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 2022

FINANCIAL HIGHLIGHTS

- Revenue amounted to HK$944.0 million (2021: HK$818.8 million) representing an increase of 15.3% when compared to last year.
- Profit attributable to owners of the Company amounted to HK$69.4 million (2021: HK$49.8 million) representing an increase of 39.3% when compared to last year.
- Basic earnings per share was HK14.43 cents (2021: HK10.39 cents) representing an increase of 38.9% when compared to last year.

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 2022 with the comparative figures for the year ended 31 December 2021 are as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	2022 HK$'000	2021 HK$'000
Revenue	3	**944,014**	818,828
Cost of sales		**(534,648)**	(472,437)
Gross profit		**409,366**	346,391
Other income and gains		**13,636**	11,758
Selling and distribution expenses		**(30,835)**	(28,106)
Administrative expenses		**(224,099)**	(182,978)
(Impairment losses)/reversal of impairment losses on financial assets, net		**(2,284)**	636
Fair value changes of financial assets and liabilities at fair value through profit or loss		**4,946**	(7,990)
Other expenses		**(28,573)**	(23,205)
Finance costs		**(5,816)**	(3,745)
Profit before tax		**136,341**	112,761
Income tax expense	5	**(31,513)**	(23,087)
Profit for the year	6	**104,828**	89,674
Attributable to:			
Owners of the Company		**69,397**	49,836
Non-controlling interests		**35,431**	39,838
		104,828	89,674

	Notes	**2022** *HK$'000*	2021 *HK$'000*
Other comprehensive (loss)/income			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**(37,805)**	(1,714)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation from functional currency to presentation currency		**616**	23,385
Other comprehensive (loss)/income for the year, net of tax		**(37,189)**	21,671
Total comprehensive income for the year		**67,639**	111,345
Attributable to:			
Owners of the Company		**37,843**	70,759
Non-controlling interests		**29,796**	40,586
		67,639	111,345
Earnings per share attributable to ordinary equity holders of the Company			
Basic (HKD cents)	*8*	**14.43**	10.39
Diluted (HKD cents)	*8*	**12.14**	10.34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2022

	Note	**At 31 December 2022** *HK$'000*	At 31 December 2021 *HK$'000*
Non-current assets			
Property, plant and equipment		**204,423**	204,969
Investment properties		**17,486**	20,673
Right-of-use assets		**66,375**	67,399
Goodwill		**30,341**	30,348
Intangible assets		**3,904**	2,956
Financial assets at fair value through profit or loss		**5,168**	7,331
Deferred tax assets		**1,107**	590
Prepayments, other receivables and other assets		**385**	1,189
		329,189	335,455
Current assets			
Inventories		**3,365**	2,166
Trade receivables	9	**172,302**	134,783
Prepayments, other receivables and other assets		**23,137**	34,419
Financial assets at fair value through profit or loss		**1,710**	–
Pledged deposits		**470**	8,672
Time deposits with an initial term of over three months		**7,661**	–
Cash and cash equivalents		**222,254**	150,636
		430,899	330,676

	Note	At 31 December 2022 HK$'000	At 31 December 2021 HK$'000
Current liabilities			
Trade payables	*10*	**43,622**	39,513
Contract liabilities		**3,565**	2,794
Other payables and accruals		**71,891**	54,490
Interest-bearing bank loans and other borrowings		**26,449**	19,437
Tax payable		**22,880**	11,814
Lease liabilities		**13,153**	11,796
Convertible bonds		**–**	57,953
Total current liabilities		**181,560**	197,797
Net current assets		**249,339**	132,879
Total assets less current liabilities		**578,528**	468,334
Non-current liabilities			
Lease liabilities		**36,744**	33,582
Interest-bearing bank loans and other borrowings		**–**	3,463
Convertible bonds		**50,861**	–
Deferred tax liabilities		**2,796**	4,690
Other payables and accruals		**1,102**	–
		91,503	41,735
Net assets		**487,025**	426,599
Equity			
Equity attributable to owners of the Company			
Share capital		**189**	172
Reserves		**378,079**	347,466
		378,268	347,638
Non-controlling interests		**108,757**	78,961
Total equity		**487,025**	426,599

NOTES

For the year ended 31 December 2022

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 Suite 1015, 10/F, Ocean Centre, Harbour City, 5 Canton Road, Tsim Sha Tsui, Kowloon, Hong Kong and Buildings No. 77–78, Taida Science Park, No. 12 Zhuyuan Road, Shunyi District Beijing, China. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited from 12 July 2016.

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

Changes in accounting policies and disclosures

The Group has adopted following revised IFRSs for the first time for the current year's financial statements.

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

The nature and the impact of the revised IFRSs that are applicable to the Group are described below:

(a) Amendments to IFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date.

The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no business combinations during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling 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 any such items, and the cost of those items as determined by IAS 2 *Inventories*, in profit or loss.

The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). 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.

The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to IFRS 2018-2020* sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendment that is applicable to the Group are as follows:

IFRS 9 Financial Instruments: 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.

The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

Issued but not yet effective International Financial Reporting Standards

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
IFRS 17	*Insurance Contracts*[1]
Amendments to IFRS 17	*Insurance Contracts*[1, 4]
Amendments to IFRS 17	*Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[5]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[2]
Amendments to IAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2024.
3 No mandatory effective date yet determined but available for adoption.
4 As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023.
5 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of IFRS 17.

Further information about those IFRSs that are expected to be applicable to the Group is described below.

Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to IFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of IFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the IASB issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 12 narrow the scope of the initial recognition exception in IAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

3. REVENUE

(i) Disaggregated revenue information

	2022	2021
	HK$'000	*HK$'000*
Type of services		
Testing services	**602,972**	520,304
Surveying services	**249,995**	223,617
Witnessing and ancillary services	**91,047**	74,907
Total revenue from contracts with customers	**944,014**	818,828
Geographical markets		
Greater China	**615,313**	520,177
Singapore and other countries/regions	**328,701**	298,651
Total revenue from contracts with customers	**944,014**	818,828
Timing of revenue recognition		
Services transferred at a point in time	**943,134**	813,370
Services transferred at over time	**880**	5,458
Total revenue from contracts with customers	**944,014**	818,828

(ii) Performance obligations

Information about the Group's performance obligation is summarised below:

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

(a) Revenue from external customers

	2022	2021
	HK$'000	*HK$'000*
Greater China	**615,313**	520,177
Singapore and other countries/regions	**328,701**	298,651
	944,014	818,828

(b) Non-current assets

	2022	2021
	HK$'000	*HK$'000*
Greater China	**266,710**	229,944
Singapore and other countries/regions	**56,204**	96,401
	322,914	326,345

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

During the years ended 31 December 2022, revenue generated from one of the Group's customers has accounted for 12.3% (2021: 16.3%) of the Group's total revenue.

5. INCOME TAX

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 are subject to income tax at the rate of 16.5% on the estimated assessable profits. The tax on the dividend income from a subsidiary in Mainland China has been provided at the rate of 5% during the year.

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 entitled to a preferential income tax rate of 15% for the years and were ended 31 December 2022 and 2021.

The Company's subsidiaries incorporated in Singapore are subject to income tax at the rate of 17% on the estimated assessable profits.

	2022	2021
	HK$'000	*HK$'000*
Current tax		
– Mainland China	**16,738**	12,457
– Other jurisdictions	**16,510**	10,633
Deferred tax	**(1,735)**	(3)
Total tax charge for the year	**31,513**	23,087

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2022	2021
	HK$'000	*HK$'000*
Cost of sales	**534,648**	472,437
Auditor's remuneration	**2,205**	2,278
Depreciation of property, plant and equipment	**41,306**	25,844
Depreciation of investment properties	**1,484**	1,560
Depreciation of right-of-use assets	**16,348**	15,503
Amortisation of intangible assets	**769**	777
Lease payments not included in the measurement of lease liabilities	**4,302**	7,999
Research and development costs*	**26,883**	22,908
Employee benefit expenses (including directors' and chief executive's remuneration):		
– Wages and salaries	**322,616**	264,532
– Pension scheme contributions	**22,917**	26,152
– Welfare and other expenses	**85,424**	62,342
– Equity-settled share-based payment expense	**15,588**	9,398
	446,545	362,424
Impairment losses/(reversal of impairment losses) on trade receivables	**2,284**	(636)

* During the year ended 31 December 2022, research and development costs of approximately HK$26,745,000 (2021: HK$22,823,000) were included in employee benefit expenses.

7. DIVIDENDS

	2022	2021
	HK$'000	*HK$'000*
2021 Final — HK$0.018 (2020 Final — RMB0.0375) per ordinary share	**7,983**	18,030
2022 Interim — HK$0.022 (2021 Interim — HK$0.0225) per ordinary share	**10,733**	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$0.0272 (2021: HK$0.018) per share for the year ended 31 December 2022 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 amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 480,950,215 (2021: 479,590,963) in issue during the year, as adjusted to reflect the rights issue during the year.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the interest on the convertible bonds, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2022	2021
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic earnings per share calculation:	**69,397**	49,836
Adjusted for:		
Interest on convertible bonds	**1,000**	–
Fair value gain of the convertible bonds	**(7,330)**	–
Profit attributable to ordinary equity holders of the parent, used in the diluted earnings per share calculation:	**63,067**	49,836

	Number of shares	
	2022	2021
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(Notes)*	**480,950,215**	479,590,963
Effect of dilution — weighted average number of ordinary shares:		
Share options	**1,595,242**	2,160,859
Convertible bonds	**37,037,037**	–
	519,582,494	481,751,822

Notes:

(a) The weighted average number of ordinary shares shown above for the years ended 31 December 2022 and 2021 have been arrived at after adjusting the shares held by the Company's share award scheme under the trust and taken convertible bonds into account.

(b) In addition, the number of shares adopted in the calculation of the basic and diluted earnings per share for the years ended 31 December 2022 and 2021 have been retrospectively adjusted to reflect bonus shares which became effective in July 2022.

The computation of diluted earnings per share for the year ended 31 December 2022 does not assume the exercise of certain of the Company's share options because the exercise price of those options was higher than the average market price for shares for 2022 and 2021.

At the year ended 31 December 2021, because the diluted earnings per share amount is increased when taking convertible bonds into account, the convertible bonds had an anti-dilutive effect on the basic earnings per share for the year and were excluded in the calculation of diluted earnings per share.

Therefore, the diluted earnings per share amounts are based on the profit for the year of HK$63,067,000, and the weighted average number of ordinary shares of 519,582,494 in issue during the year.

9. TRADE RECEIVABLES

	2022	2021
	HK$'000	*HK$'000*
Trade receivables	**177,950**	138,323
Impairment	**(5,648)**	(3,540)
	172,302	134,783

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.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 3 months	**148,564**	113,794
Over 3 to 6 months	**13,273**	12,712
Over 6 months to 1 year	**5,201**	5,065
Over 1 to 2 years	**5,264**	3,212
	172,302	134,783

As at 31 December 2022, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK$29,358,000 (2021: HK$23,877,000) which are past due as at the reporting date. Out of the past due balances, HK$16,050,000 (2021: HK$10,993,000) has been past due 90 days or more and is not considered as in default due to the management's historical experience on the settlement pattern or record from these debtors and the good business relationship with these debtors.

10. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice dates, is as follows:

	2022	2021
	HK$'000	*HK$'000*
Within 3 months	**38,805**	35,367
Over 3 to 6 months	**2,889**	1,117
Over 6 months to 1 year	**1,776**	2,919
Over 1 to 2 years	**152**	110
	43,622	39,513

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

MANAGEMENT DISCUSSION AND ANALYSIS

The business operations of the Company in 2022 were challenged by a variety of unexpected factors. The Group delivered stable performance amid the challenging business environment and streamlined management systems, continuing to enhance its brand credibility and seizing opportunities amidst challenges. By fully capturing the booming TIC market and riding on the advantage of the Group's leadership in various segments, the Group continued to strengthen its operational efficiency and core competitive advantages, continuing its high-quality and steady development momentum during the year. During the period, the Company recorded revenue of HK$944.0 million, representing a year-on-year increase of 15.3%; profit for the year reached HK$104.8 million, representing a year-on-year increase of 16.9%; profit attributable to owners of the Company recorded HK$69.4 million, representing a year-on-year increase of 39.3%.

During the period, the Group actively seized the tremendous opportunities brought by the blossoming development of the global emerging markets and 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 63 branches and laboratories in various countries including Singapore, Indonesia, Malaysia, India, Pakistan, Australia, Brunei, Bangladesh, Argentina and South Africa. By leveraging the geographical advantages of our network, the Group provided better services to our global industry-leading customers.

Business progress of each segment during the period

The Company provides global industry leaders with a wide range of one-stop services in testing, and inspection, as well as technical and consulting services around the clock, focusing on four key areas, namely commodity services, clean energy, environmental protection and climate change, empowering global industry leaders to achieve eco-friendly and low-carbon transformation. ESG-oriented development is a key priority for the Group's "2+X" development strategy. Through the three main implementation dimensions of (1) ESG+; (2) ESG-Focused; and (3) ESG-Friendly, we have achieved our ESG development strategies, fulfilled our corporate social responsibility, and contributed to the green and low-carbon transition of the industry. During the year, the Company capitalized on the synergy of various business segments to drive the overall growth of revenue. Details of business progress of the segments under each dimension are set out below:

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 green and low-carbon transition 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, and its major customers include major players in the energy transition including domestic thermal power, gas and petrochemical industry leaders. During the year, we actively promoted inspection and testing technology innovation and successfully launched a number of services for the wind and solar industries to continuously broaden our business diversity. Leveraging on our industry experience and strengths, we efficiently expanded our customer base by catering for the transition demand from our existing customers. Up to now, the Company has served 16 leading customers in the new energy industry and provided technical service support for various projects including major wind and solar power generation projects, driving the gradual low-carbon transition and green development 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 year, the environmental protection business continued to gain momentum, and the Company participated in many environmental protection facilities projects with a 100% one-time pass rate in expert assessment. During the year, we served as the total solution provider for a national-level, a municipal-level and two district-level industrial parks.

The Company further strengthens its environmental protection service offerings through leakage detection and repair ("**LDAR**") services, which play a major role in the low-carbon transition and serve as a critical component to achieve carbon neutrality objectives. Through steady development, LDAR business network has been quickly established and recorded encouraging segment growth.

(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, supporting their sustainable low-carbon and green development strategy. During the year, the Company secured nine new industry-leading customers, including leading state-owned enterprises in the oil and gas industry to provide them with technology consulting in methane emission reduction and control, actively assisting the low-carbon transition of enterprises in the oil and gas industry.

The Company successfully supported industry-leading customers to achieve their corporate carbon neutrality targets through its one-stop comprehensive carbon neutrality solution, actively assisted customers to successfully complete the filing of international carbon reduction mechanism projects, 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 of 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. Meanwhile, the Company also actively participated in the formulation of national and industrial standards related to greenhouse gas accounting for emission reduction in 2022, to fill the void and lead the innovation of the industry.

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 low-carbon, energy saving, and emission reduction services and focused on potential investment opportunities. Under the "2+X" development strategy, the Company has extended the business scope to clean energy, environmental protection, climate change and other ESG services. In the future, we will also speed up our investment plans in line with the Group's ESG strategy, focusing on potential mergers and acquisitions targets and investment opportunities with green, low-carbon and sustainable growth potential, and actively assist our customers to achieve a green and low-carbon transition with a full spectrum of services and excellent service capabilities.

III. ESG-Friendly:

By thoroughly implementing its long-term vision of sustainable development and upholding the fundamental principles of fairness and impartiality, the Group continues to expand its professional service capacity in commodity services to facilitate a better flow of global trade. With as many as 63 service outlets and 18 categories of professional qualification certifications around the world, the Company's services involve more than 50 types of commodities and natural resources. Regarding commodity services as the pillar of the Company's core business, the Company has established its leading market position in the segments with distinguished brand credibility through years of remarkable efforts and growth. The Company also made further R&D investment and participated in the formulation and revision of standards to propel the development of industry standards. 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.

Prospect

Embracing the business philosophy of long-term vision, the Company firmly implements the "2+X" development strategy. The Company accurately captures the market trends in various segments, seizes opportunities to acquire high-quality targets, and devises a forward-looking plan in advance for the areas of strategic advantages. While centering on commodity services, the Company has successfully extended the "X" business to clean energy, environmental protection, climate change and other ESG services through global M&A activities. At the same time, the Company has also expanded its international network presence in emerging markets in Southeast Asia, South America and Africa.

Based on our successful overseas experiences, the Company adopts a unique mergers and acquisitions approach emphasizing on corporate culture alignment. The Company adheres to its "long-term vision" and promotes a "reliable and accountable culture". We strive to seek long-term "business partners" in the selection of projects and teams in the process of new business expansion. Business partners adapt to the local competitive environment, so as to enhance operational efficiency and optimise customer experience. On this basis, the Company will carry out effective empowerment in brand, technology, talent and capital. In order to lay a solid foundation for the Company's long-term sustainable development, we are devoted to build a business platform where shareholders, the Company and the team enable to ensure the consistency and continuity of the long-term and short-term interests of all stakeholders.

The Company has been awarded "Asia's 200 Best Under A Billion" by Forbes, the international renowned financial magazine, for two consecutive years. The Company is highly recognized by the market for its excellent governance and operational capabilities. In the future, on the basis of continuing to consolidate its brand strengths and operational capabilities, the Group will further accurately capture emerging development opportunities in the market resulting from new economic drivers focusing on green and low-carbon development. We will actively seek mergers and acquisitions opportunities in the global TIC market, leverage the unique advantages and enhance synergies, thereby providing sustainable momentum for the Company's business expansion. The Company will also fully grasp the opportunities to cooperate with global leading customers, optimize resources allocation, continue to empower the green and low-carbon industry, and further consolidate its industry-leading position.

FINANCIAL REVIEW

Overview

	2022	2021	**Change**
	HK$'000	*HK$'000*	
Revenue	**944,014**	818,828	15.3%
Profit attributable to owners of the Company	**69,397**	49,836	39.3%

Revenue

The Group's revenue increased by 15.3% from approximately HK$818.8 million in 2021 to approximately HK$944.0 million in 2022. The Group successfully expanded its presence internationally from major trading ports and hub cities in the Asia Pacific region to emerging markets in South America and Africa during the period. With its global presence, the Group further enhanced its ability to serve industry leaders. We leveraged our leading advantage to increase collaboration with existing customers and enhance the customers' loyalty. Meanwhile, we delivered unexpectedly growth in various business segments by securing a string of major clients during the year, which created a strong revenue driver to expand our overall earnings.

Profit attributable to owners of the Company

The Group's profit attributable to owners of the Company for the year increased by 39.3% from approximately HK$49.8 million in 2021 to approximately HK$69.4 million in 2022. During the year, the Company captured TIC market trend and continued to strengthen quality control and enhance resource allocation, effectively boosting the operating efficiency and delivering effective cost control. Led by the "ESG-oriented development", the Company's four major business divisions, namely commodity services, clean energy, environment protection and climate change fully delivered maximum synergy and achieved promising results.

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 2021 and 2022, with cash and cash equivalents of HK$150.6 million and HK$222.3 million as at 31 December 2021 and 2022 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 year 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 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 100.0%. Net debt is calculated as trade payables, other payables and accruals, interest-bearing bank loans and other 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.

	2022	2021
	HK$'000	*HK$'000*
Trade payables	**43,622**	39,513
Other payables and accruals	**72,993**	54,490
Interest-bearing bank loans and other borrowings	**26,449**	22,900
Convertible bonds	**50,861**	57,953
Less: Cash and cash equivalents	**(222,254)**	(150,636)
Net (surplus)/debt	**(28,329)**	24,220
Equity attributable to owners of the Company	**378,268**	347,638
Capital and net debt	**349,939**	371,858
Gearing ratio *(Note)*	**–**	6.51%

Note: Gearing ratio is zero when the amount of cash and cash equivalents is higher than gross debt (2021: 6.51%).

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 financial assets included in deposits and 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 interest-bearing bank loans and other 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 2022, the Group had 2,528 (2021: 2,112) 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 2022.

DIVIDEND

The Board recommends the payment of a final dividend of HK$0.0272 per share in respect of the year ended 31 December 2022 to shareholders whose names appear on the register of members of the Company on Tuesday, 4 July 2023. The proposed final dividend will be paid on or around Monday, 17 July 2023, subject to approval at the annual general meeting of the Company to be held on Friday, 16 June 2023 (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 Tuesday, 4 July 2023. 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 Monday, 17 July 2023.

CLOSURE OF REGISTER

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

(i) Book Close Dates for 2023 AGM

From Tuesday, 13 June 2023 to Friday, 16 June 2023, 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 Monday, 12 June 2023; and

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

From Wednesday, 28 June 2023 to Tuesday, 4 July 2023, 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 Tuesday, 27 June 2023.

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 as set out in Appendix 14 to the Listing Rules (the "**CG Code**").

For the year ended 31 December 2022, 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 C.2.1 of the 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 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 2022.

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 of the Audit Committee), Mr. WANG Zichen and Mr. ZHAO Hong, all being the independent non-executive Directors.

Scope of work of Ernst & Young

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 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Ernst & Young 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 2022 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 2022 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 2023

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