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## **CHINA LEON INSPECTION HOLDING LIMITED**

**中国力鸿检验控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1586)**

### **INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2023**

#### **FINANCIAL HIGHLIGHTS**

- The Group's revenue for the Period amounted to approximately HK\$505.4 million, representing an increase of 17.0% from approximately HK\$431.8 million for the six months ended 30 June 2022.
- The Group's profit for the Period amounted to approximately HK\$68.5 million, representing an increase of 50.2% from approximately HK\$45.6 million for the six months ended 30 June 2022.
- The Group's profit attributable to owners of the Company for the Period amounted to approximately HK\$48.3 million, representing an increase of 34.9% from approximately HK\$35.8 million for the six months ended 30 June 2022.

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 2023 (the “**Period**”), together with the comparative figures for the corresponding period in 2022 as follows:

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND  
OTHER COMPREHENSIVE INCOME**

*For the six months ended 30 June 2023*

	<i>Notes</i>	<b>Six months ended</b>	
		<b>30 June 2023</b> <b>(Unaudited)</b> <b>HK\$'000</b>	<b>30 June 2022</b> <b>(Unaudited)</b> <b>HK\$'000</b>
<b>REVENUE</b>	3	<b>505,380</b>	431,761
Cost of sales		<u>(274,533)</u>	<u>(249,802)</u>
Gross profit		<b>230,847</b>	181,959
Other income and other gains and losses	4	<b>2,399</b>	6,887
Selling and distribution expenses		<b>(15,205)</b>	(14,236)
Administrative expenses		<b>(113,814)</b>	(112,979)
Fair value changes of financial assets and liabilities at fair value through profit or loss		<b>(3,550)</b>	6,600
Other expenses		<b>(16,727)</b>	(11,516)
Finance costs		<u><b>(1,901)</b></u>	<u>(2,153)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>82,049</b>	54,562
Income tax expense	6	<u><b>(13,552)</b></u>	<u>(8,997)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>68,497</b></u>	<u>45,565</u>
Attributable to:			
Owners of the Company		<b>48,288</b>	35,822
Non-controlling interests		<u><b>20,209</b></u>	<u>9,743</u>
		<u><b>68,497</b></u>	<u>45,565</u>

		<b>Six months ended</b>	
		<b>30 June 2023</b>	30 June 2022
		<b>(Unaudited)</b>	(Unaudited)
<i>Note</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Other comprehensive expense:</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
	Exchange differences on translation from functional currency to presentation currency	<b>2,867</b>	(4,198)
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>			
	Exchange differences on translation of foreign operations	<b>(11,481)</b>	(1,190)
<b>OTHER COMPREHENSIVE EXPENSE FOR THE PERIOD, NET OF INCOME TAX</b>		<b>(8,614)</b>	(5,388)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>59,823</b>	40,177
Attributable to:			
	Owners of the Company	<b>41,738</b>	31,916
	Non-controlling interests	<b>18,285</b>	8,261
		<b>59,823</b>	40,177
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
	Basic	<b>8</b> <u><u>HK10.01 cents</u></u>	<u><u>HK7.45 cents</u></u>
	Diluted	<b>8</b> <u><u>HK9.98 cents</u></u>	<u><u>HK7.44 cents</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2023*

		At <b>30 June 2023</b> (Unaudited) <i>HK\$'000</i>	At 31 December 2022 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment		209,899	204,423
Right-of-use assets		66,627	66,375
Investment properties		16,250	17,486
Goodwill		33,264	30,341
Intangible assets		3,985	3,904
Financial assets at fair value through profit or loss		5,971	5,168
Deferred tax assets		3,829	1,107
Prepayments, other receivables and other assets		4,327	385
		<b>344,152</b>	329,189
<b>Current assets</b>			
Inventories		2,423	3,365
Trade receivables	9	182,067	172,302
Prepayments, other receivables and other assets		56,094	23,137
Financial assets at fair value through profit or loss		1,638	1,710
Pledged deposits		–	470
Time deposits with an initial terms of over three months		1,366	7,661
Cash and cash equivalents		213,846	222,254
		<b>457,434</b>	430,899
<b>Current liabilities</b>			
Trade payables	10	36,196	43,622
Contract liabilities		4,733	3,565
Other payables and accruals		61,604	71,891
Interest-bearing bank loans		29,046	26,449
Tax payable		28,124	22,880
Lease liabilities		10,514	13,153
Convertible bonds		49,049	–
		<b>219,266</b>	181,560
<b>Net current assets</b>		<b>238,168</b>	249,339
<b>Total assets less current liabilities</b>		<b>582,320</b>	578,528

	<b>At 30 June 2023 (Unaudited) HK\$'000</b>	<b>At 31 December 2022 (Audited) HK\$'000</b>
<b>Non-current liabilities</b>		
Convertible bonds	–	50,861
Other payable and accruals	–	1,102
Deferred tax liabilities	2,821	2,796
Lease liabilities	<b>27,801</b>	36,744
	<u>30,622</u>	<u>91,503</u>
<b>Net assets</b>	<b><u>551,698</u></b>	<b><u>487,025</u></b>
<b>Capital and reserves</b>		
Share capital	190	189
Reserves	<b>424,666</b>	378,079
	<u>424,856</u>	<u>378,268</u>
Equity attributable to owners of the Company	<b>424,856</b>	378,268
Non-controlling interests	<b>126,842</b>	108,757
	<u>551,698</u>	<u>487,025</u>
<b>Total equity</b>	<b><u>551,698</u></b>	<b><u>487,025</u></b>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2023

## 1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2023 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 information does 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 for the year ended 31 December 2022.

## 2. CHANGES IN ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2022, except for the adoption of the following new and revised International Financial Reporting Standards (“IFRSs”) for the first time for the current period’s financial information.

Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to HKAS 12	<i>International Tax Reform — Pillar Two Model Rules</i>

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

- (a) Amendments to HKAS 1 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 HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.
- (b) Amendments to HKAS 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 Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023.

- (c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 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 application of the amendments to IFRSs in the current period has had no material effect on the amounts reported and disclosures set out in the interim financial information.

### 3. REVENUE

#### Disaggregation of revenue from contracts with customers

Segments	Six months ended	
	30 June 2023 (Unaudited) HK\$'000	30 June 2022 (Unaudited) HK\$'000
<b>Type of services</b>		
Testing services	305,166	279,920
Surveying services	134,549	111,025
Witnessing and ancillary services	65,665	40,816
Total	<u>505,380</u>	<u>431,761</u>
<b>Geographical markets</b>		
Greater China	318,639	289,913
Overseas	186,741	141,848
Total	<u>505,380</u>	<u>431,761</u>
<b>Timing of revenue recognition</b>		
A point in time	505,380	431,761
Total	<u>505,380</u>	<u>431,761</u>

#### 4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2023	30 June 2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Other income</b>		
Interest income	1,149	432
Value-added and other tax refund	795	1,305
Government subsidies	969	3,944
Rental income	819	814
	<u>3,732</u>	<u>6,495</u>
<b>Other gains and losses</b>		
(Loss) gain on foreign exchange difference	(519)	145
Gain (loss) on disposal of items of property, plant and equipment	183	(335)
Others	(997)	582
	<u>(1,333)</u>	<u>392</u>
	<u>2,399</u>	<u>6,887</u>

#### 5. PROFIT BEFORE TAX

	Six months ended	
	30 June 2023	30 June 2022
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
The Group's Profit before tax has been arrived after charging:		
Depreciation of property, plant and equipment	27,237	19,074
Depreciation of investment properties	721	760
Depreciation of right-of-use assets	8,789	8,106
Amortisation of intangible assets	554	501
Research and development costs (included in other expenses):		
— Current period expenditure	<u>15,308</u>	<u>11,378</u>



## 6. INCOME TAX EXPENSE

	Six months ended	
	30 June 2023	30 June 2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
— Mainland China	7,635	6,753
— Other jurisdictions	5,918	2,244
	<u>13,552</u>	<u>8,997</u>

## 7. DIVIDENDS

The proposed final cash dividend of HK\$0.0272 per share for the year ended 31 December 2022 was approved by the Company's shareholders on 16 June 2023. On 30 August 2023, the Board of Directors declared an interim dividend of HK\$0.0269 per share for the six months ended 30 June 2023 (six months ended 30 June 2022: HK\$0.022).

## 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 2023	30 June 2022
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Earnings</b>		
Profit for the period attributable to owners of the Company, used in the basic and diluted earnings per share calculation	<u>48,288</u>	<u>35,822</u>
	'000	'000
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation ( <i>Notes</i> )	482,386	480,847
Effect of dilutive potential ordinary shares:		
— Share options	<u>1,578</u>	<u>733</u>
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<u>483,964</u>	<u>481,580</u>

Notes:

- (a) The weighted average number of ordinary shares shown above for the six months ended 30 June 2023 and 2022 have been arrived at after adjusting the shares held by the Company's share award scheme under the trust.
- (b) 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 2022 has been retrospectively adjusted to reflect the bonus shares which became effective in July 2022.

The computation of diluted earnings per share for the six months ended 30 June 2023 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 the six months ended 30 June 2023 and 2022.

At the six month ended 30 June 2023 and 2022, 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 period 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 period of HK\$48,288,000, and the weighted average number of ordinary shares of 483,963,718 in issue during the period.

## 9. TRADE RECEIVABLES

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Trade receivables	<b>187,539</b>	177,950
Allowance for credit losses	<b>(5,472)</b>	(5,648)
	<b><u>182,067</u></b>	<u>172,302</u>

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

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Within 3 months	<b>155,092</b>	148,564
3 to 6 months	<b>14,650</b>	13,273
6 months to 1 year	<b>5,321</b>	5,201
1 to 2 years	<b>7,004</b>	5,264
	<b><u>182,067</u></b>	<u>172,302</u>

## 10. TRADE PAYABLES

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

	<b>30 June 2023 (Unaudited) HK\$'000</b>	31 December 2022 (Audited) HK\$'000
Within 3 months	<b>32,796</b>	38,805
3 to 6 months	<b>2,065</b>	2,889
6 months to 1 year	<b>1,225</b>	1,776
1 to 2 years	<b>110</b>	152
	<b>36,196</b>	43,622

## 11. EVENTS AFTER THE REPORTING PERIOD

As disclosed in the circular and the announcement of the Company dated 23 May 2023 and 16 June 2023 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 2023, by the qualifying shareholders. As at 4 July 2023, there were in total 488,714,980 shares in issue. The number of bonus shares issued under the Bonus Issue was 48,871,498 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 44,870,250 outstanding share options were adjusted to 49,357,275 share options as a result of the Bonus Issue.

Pursuant to the terms of the 5-year 2% coupon unlisted convertible bonds (the terms of which as disclosed in the Company’s announcement on 26 June 2023 were amended and approved on 28 June 2023) in principal amount of HK\$50,000,000 (adjusted to US\$6,410,256.41 on 28 June 2023) 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 7 July 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

In the first half of 2023, with the sustained global economic recovery and the significant enhancement of the business operation environment, the Group fully grasped the business development opportunities, strengthened the deployment for long-term growth, and continued to enhance its brand credibility, operational efficiency and core competitive advantages, achieving high-quality development with steady progress. The Group fully captured the booming TIC market and ridden on the advantage of the Group's leadership in various segments, during the Period, the Company recorded revenue of HK\$505.4 million, representing a year-on-year increase of 17.0%; profit for the Period reached HK\$68.5 million, representing a year-on-year increase of 50.2%; profit attributable to owners of the Company recorded HK\$48.3 million, representing a year-on-year increase of 34.9%.

The Group continues to expand its professional service capacity, strengthen the platform capacity building, and enhance its laboratory layout. Meanwhile, the Group steps up its proprietary R&D investment and continues to empower businesses through technology such as standardization, informatization and intellectualization, actively building the digital and intelligent platform for energy testing and leading the innovation of inspection and testing technology in the industry.

The Group has 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, to meet the one-stop service needs of global customers in a timely and high-quality manner. Currently, the Group has 70 branches and laboratories in various countries including Singapore, Indonesia, Malaysia, India, Pakistan, Australia, Brunei, Bangladesh, Argentina and South Africa. Relying on its global networks, the Group has further enhanced its ability to serve international leading customers.

Leon Inspection is committed to the construction of brand credibility, and the Group's brand influence and international credibility have been continuously strengthened. The Group has established long-term and stable business cooperation with a number of industry giants, including but not limited to such leading enterprises as CHN Energy, Shaanxi Coal Group, China Coal Group, Yitai Group, Datang Group, China Resources Group, CNPC, SINOPEC, CNOOC, ChemChina, Sinochem, Goldwind Technology, Sany Heavy Industry, China Huadian Corporation, Beijing Gas Group, Baiyunshan Chemical Pharmaceutical Factory, Shell, Exxon-Mobil, Chevron, Total, Saudi Aramco, ENOC and other renowned industry players. Recently, the Group became the designated inspection institution for copper, aluminum and zinc metal futures of Shanghai Futures Exchange, the authorized inspection institution for international copper futures of Shanghai International Energy Exchange and the designated quality inspection institution

for coking coal, coke and iron ore of Dalian Commodity Exchange. The Group will continue to provide professional and high-quality services for the in-depth market of futures inspection. The Group's international reputation as a world-renowned third-party quality assurance service provider and rich experience in bulk commodity inspection business as well as the brand credibility had been highly recognised by the market.

### ***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 first half of 2023, 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-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 70 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.

Leon Inspection has been focusing on serving leading enterprises in energy industry since its establishment, and continues to empower natural resource and commodity industry chain in the green transition. The Company offers objective, accurate and comprehensive coal quality data through the testing business, providing a basis for rational, efficient and clean use of coal. With the advanced technologies in clean use of coal and third-party carbon element testing, the Company also affords overall solutions and monitoring mechanisms to its customers to reduce greenhouse gas emissions and enhance energy efficiency in the production and operation process, ensuring the stability and safety of national energy power supply, the transition of national power system structure and the completion of carbon neutrality tasks on course.

The Company also made further R&D investments and participated in the formulation and revision of standards to propel the development of industry. Through the in-house R&D Center (力鴻能源檢測技術研究院) focusing on the innovation of testing and inspection technologies, the Company builds a digital and intelligent platform for coal testing, enhances efficient and superior service quality and better serves the key industry leaders. During the Period, China National Coal Association conducted a scientific and technological achievement appraisal on the “development and application of intelligent coal inspection technology” project completed by Leon Inspection, and awarded that the overall results of the project reached the international leading level, successfully realizing the automation, standardization and intelligence of the whole process of coal sampling, sample preparation and testing.

## II. 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. Leveraging on our industry experience and strengths, we efficiently expanded our customer base by catering to the transition demand from our existing customers. During the Period, we actively promoted inspection and testing technology innovation and made significant achievements in the field of photothermal power generation testing. We also actively explored renewable energy testing and application of new technologies, and continued to strengthen research cooperation with national top universities and research institutes. In addition, the Company accurately captured industry opportunities and stepped up efforts to develop new services in the field of renewable energy, becoming the first third-party TIC institution to cooperate with the Institute of Electrical Engineering Chinese Academy of Sciences for participating in the inspection of photothermal power generation.
- (2) **Environmental protection business:** The Company provides ecological environmental consultation and testing services, including services relating to environmental protection monitoring, ecological monitoring, soil pollution investigation, environmental pollution prevention, professional total solution operator for environmental protection, consulting on environmental protection technology, soil and water conservation, water resources argumentation, social stability risk assessment, environmental protection equipment sales, as well as

sales and operation maintenance of online monitoring equipment, with a huge customer base. During the Period, the Company continued to increase R&D efforts, enhanced our capacity for technological innovation, and enabled the environmental protection business to continue to gain momentum.

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. Under the Company’s accelerated business regional layout in the early stage, the strategic effect has borne remarkable fruits. Driven by the new industry policies, the performance of the segment has achieved rapid growth.

- (3) **Climate change business:** The Company provides professional technical advisory services and comprehensive solutions in low-carbon and sustainable development fields, mainly covering 4 professional services such as carbon asset development and trading, low-carbon technical consulting, ESG technical consulting and low-carbon information. 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. In addition, 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 in successfully completing 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.

During the Period, the climate change business continued to make progress. The Group served the carbon emission reduction mechanism consulting projects of leading enterprises in the oil and gas industry, and entered into framework cooperation agreements with domestic leading forestry management enterprises and mobility industry leaders, to actively support the low-carbon transition and sustainable development of the industry. In addition, the Group’s internal expert was officially approved by the United Nations global A6.4 carbon emission reduction mechanism supervisory authority as a member of the institutional methodology expert group, thereby we will observe and participate in the formulation of the A6.4 mechanism rules more closely, get deeper insight into the global emission reduction mechanism market, further greatly enhance the brand credibility and influence of the Company among customers and the government, and lead the innovation and development of the industry.

### III. 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 fulfill 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.

### Prospect

According to the statistics, in 2022, our national TIC industry continued to show a steady and upward development trend. The market size expanded continuously to nearly RMB430 billion, and the market structure was further optimized with the expansion of differentiated development of TIC fields.<sup>1</sup> TIC industry is characterized by “GDP+” as the industry growth rate is about 2 times of the GDP growth rate during the same period, and the industry growth rate is expected to be about 10% during the “14th Five-Year Plan” period.<sup>2</sup> As an industry leader in the Asia-Pacific region, we will further seize the booming TIC market and opportunities arising from the industry to continuously expand related business in the global TIC markets, and maintain a leading industry position in various segments. Through continuous technological innovation, we will inject more development momentum into the industry.

Up to now, the Company has been awarded “Asia’s 200 Best Under A Billion” by Forbes<sup>3</sup>, the internationally renowned financial magazine, for three consecutive years. The Company is highly recognized by the market for its excellent governance, operational capabilities and strong business performance. In the future, embracing the business philosophy of long-term vision, the Group firmly implements the “2+X” development strategy. Based on of continuing to consolidate its brand strengths and

<sup>1</sup> <http://qts.cnca.cn/qts/systemfunction/noticemanage/LogonNoticeListFlow.flow?noticeType=#>

<sup>2</sup> <https://stock.stockstar.com/JC2023071200010588.shtml>

<sup>3</sup> <https://www.forbeschina.com/business/65155>



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 business expansion. The Group will also fully grasp the opportunities to cooperate with global leading customers, optimize resource allocation, continue to empower the green and low-carbon industry, and further consolidate its industry-leading position.

## Financial Review

### Overview

	For the six months ended 30 June		Change
	2023 (Unaudited) HK\$'000	2022 (Unaudited) HK\$'000	
Revenue	505,380	431,761	17.0%
Profit attributable to owners of the Company	<u>48,288</u>	<u>35,822</u>	<u>34.8%</u>

### Revenue

The Group's revenue for the Period amounted to approximately HK\$505.4 million, representing an increase of 17.0% from approximately HK\$431.8 million for the six months ended 30 June 2022. The Group captured TIC market trends and focused on business development, continuously deepening cooperation with major customers, steadily promoting the development of various businesses, and constantly enhancing service quality. During the Period, commodity services (natural resources and commodities), being the pillar of the Group's core business, delivered continuous and steady growth, which further solidified the Group's leading market position in the segment. The Group's emerging businesses such as clean energy, environmental protection, and climate change entered through M&A activities under the "2+X" strategy had developed rapidly and delivered unexpected growth with the continuous expansion of the customer base. The traditional business and new business fully delivered maximum synergy, which drove the overall revenue growth of the Group.

### ***Profit attributable to owners of the Company***

The Group's profit attributable to owners of the Company for the Period amounted to approximately HK\$48.3 million, representing an increase of 34.9% from approximately HK\$35.8 million for the six months ended 30 June 2022. Relying on its global networks, the Group had further enhanced its ability to serve international leading customers. The order-taking capability of each business division and the delivery capability of laboratories had been enhanced with the expansion in quality customer base. In response to the rapid growth of ESG businesses, the Group systematically strengthened sustainable development last year and achieved promising results. In addition, the Group implemented an enhanced operation management system, continued to strengthen quality control, constantly optimized resource allocation and management, and effectively boosted the operating efficiency of various business working flows. By further enhancing economic efficiency through effective cost control, we managed to drive the growth of the Group's profit.

### ***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 2023, 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, 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.

	<b>30 June 2023 HK\$'000</b>	31 December 2022 HK\$'000
Trade payables	<b>36,196</b>	43,622
Other payables and accruals	<b>61,604</b>	72,993
Interest-bearing bank loans	<b>29,046</b>	26,449
Convertible bonds	<b>49,049</b>	50,861
Less: Cash and cash equivalents	<b>(213,846)</b>	(222,254)
Net debt ( <i>Note</i> )	<b>(37,951)</b>	(28,329)
Equity attributable to owners of the Company	<b>424,856</b>	378,268
Capital and net debt	<b>386,905</b>	349,939
Gearing ratio	<b>–</b>	–

*Note:* Gearing ratio 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 2023, the Group had no material acquisitions or disposals of subsidiaries, associate and joint ventures.

### **HUMAN RESOURCES**

As at 30 June 2023, the Group had 2,660 employees (For the six months ended 30 June 2022: 2,327) in total. The Group's employee compensation includes base salaries, 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\$0.0269 (2022: HK\$0.022) per ordinary share for the six months ended 30 June 2023. The interim dividend will be paid on or about Friday, 27 October 2023 to the shareholders whose names appear on the register of members of the Company on Friday, 13 October 2023.

## 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, 6 October 2023
Latest time for lodging transfer documents of shares	: 4:30 p.m. on Monday, 9 October 2023
Period of closure of register of members	: Tuesday, 10 October 2023 to Friday, 13 October 2023 (both days inclusive)
Record date	: Friday, 13 October 2023

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 Corporate Governance Code (the "**CG Code**") 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 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 checking 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](http://www.hkexnews.hk) and on the website of the Company at [www.leontest.com](http://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 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