# 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 2023

**FINANCIAL HIGHLIGHTS**

- Revenue amounted to HK$1,118.5 million (2022: HK$944.0 million) representing an increase of 18.5% when compared to last year.
- Profit attributable to owners of the Company amounted to HK$80.0 million (2022: HK$69.4 million) representing an increase of 15.3% when compared to last year.
- Basic earnings per share was HK15.10 cents (2022: HK13.12 cents) representing an increase of 15.1% 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 2023 (the "**Year**") with the comparative figures for the year ended 31 December 2022 are as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2023*

| | Notes | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|---|
| **Revenue** | 3 | **1,118,514** | 944,014 |
| Cost of sales | | **(638,384)** | (534,648) |
| Gross profit | | **480,130** | 409,366 |
| Other income and (losses)/gains, net | | **6,248** | 13,636 |
| Selling and distribution expenses | | **(40,325)** | (30,835) |
| Administrative expenses | | **(241,166)** | (224,099) |
| Impairment losses on financial assets, net | | **(3,753)** | (2,284) |
| Fair value changes of financial assets and liabilities at fair value through profit or loss | | **(4,523)** | 4,946 |
| Other expenses | | **(30,810)** | (28,573) |
| Finance costs | | **(8,589)** | (5,816) |
| **Profit before tax** | 6 | **157,212** | 136,341 |
| Income tax expense | 5 | **(35,049)** | (31,513) |
| **Profit for the year** | | **122,163** | 104,828 |
| Attributable to: | | | |
| Owners of the Company | | **80,048** | 69,397 |
| Non-controlling interests | | **42,115** | 35,431 |
| | | **122,163** | 104,828 |

| | Note | 2023 HK$'000 | 2022 HK$'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 | | **(12,566)** | (37,805) |
| 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 | | **128** | 616 |
| **Other comprehensive loss for the year, net of tax** | | **(12,438)** | (37,189) |
| **Total comprehensive income for the year** | | **109,725** | 67,639 |
| Attributable to: | | | |
| Owners of the Company | | **73,705** | 37,843 |
| Non-controlling interests | | **36,020** | 29,796 |
| | | **109,725** | 67,639 |
| **Earnings per share attributable to ordinary equity holders of the Company** | | | |
| Basic (HK$ cents) | *8* | **15.10** | 13.12 |
| Diluted (HK$ cents) | *8* | **15.05** | 11.03 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*At 31 December 2023*

| | Note | **At 31 December 2023** *HK$'000* | At 31 December 2022 *HK$'000* |
|---|---|---|---|
| **Non-current assets** | | | |
| Property, plant and equipment | | **233,983** | 204,423 |
| Investment properties | | **15,829** | 17,486 |
| Right-of-use assets | | **75,900** | 66,375 |
| Goodwill | | **34,021** | 30,341 |
| Intangible assets | | **2,585** | 3,904 |
| Financial assets at fair value through profit or loss | | **4,714** | 5,168 |
| Deferred tax assets | | **2,250** | 1,107 |
| Prepayments, other receivables and other assets | | **1,151** | 385 |
| Total non-current assets | | **370,433** | 329,189 |
| **Current assets** | | | |
| Inventories | | **2,935** | 3,365 |
| Trade and bills receivables | *9* | **208,841** | 172,302 |
| Prepayments, other receivables and other assets | | **43,991** | 23,137 |
| Financial assets at fair value through profit or loss | | **1,471** | 1,710 |
| Pledged deposits | | **160** | 470 |
| Time deposits with an initial term of over three months | | **39,454** | 7,661 |
| Cash and cash equivalents | | **227,250** | 222,254 |
| Total current assets | | **524,102** | 430,899 |

| | Note | At<br>**31 December**<br>**2023**<br>***HK$'000*** | At<br>31 December<br>2022<br>*HK$'000* |
|---|---|---|---|
| **Current liabilities** | | | |
| Trade payables | *10* | **51,910** | 43,622 |
| Contract liabilities | | **8,029** | 3,565 |
| Other payables and accruals | | **70,432** | 71,891 |
| Interest-bearing bank loans | | **48,530** | 26,449 |
| Tax payable | | **31,586** | 22,880 |
| Lease liabilities | | **17,863** | 13,153 |
| Convertible bonds | | **48,612** | – |
| Total current liabilities | | **276,962** | 181,560 |
| **Net current assets** | | **247,140** | 249,339 |
| **Total assets less current liabilities** | | **617,573** | 578,528 |
| **Non-current liabilities** | | | |
| Lease liabilities | | **43,792** | 36,744 |
| Convertible bonds | | **–** | 50,861 |
| Deferred tax liabilities | | **3,780** | 2,796 |
| Other payables and accruals | | **723** | 1,102 |
| Total non-current liabilities | | **48,295** | 91,503 |
| **Net assets** | | **569,278** | 487,025 |
| **Equity** | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | **210** | 189 |
| Reserves | | **424,291** | 378,079 |
| | | **424,501** | 378,268 |
| Non-controlling interests | | **144,777** | 108,757 |
| **Total equity** | | **569,278** | 487,025 |

# NOTES

*For the year ended 31 December 2023*

## 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 since 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 the following revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies* |
| Amendments to IAS 8 | *Definition of Accounting Estimates* |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |
| Amendments to IAS 12 | *International Tax Reform — Pillar Two Model Rules* |

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

(a) Amendments to IAS 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 IFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) 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. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to IAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* 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.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately, which have been reflected in the reconciliation disclosed in the financial statements. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under IAS 12.

(d) Amendments to IAS 12 *International Tax Reform — Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

**Issued but not yet effective International Financial Reporting Standards**

The Group has not applied the following revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised IFRSs, if applicable, when they become effective.

| | |
|---|---|
| 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*[1] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")*[1] |
| Amendments to IAS 1 | *Non-current Liabilities with Covenants (the "**2022 Amendments**")*[1] |
| Amendments to IAS 7 and IFRS 7 | *Supplier Finance Arrangements*[1] |
| Amendments to IAS 21 | *Lack of Exchangeability*[2] |

1 Effective for annual periods beginning on or after 1 January 2024
2 Effective for annual periods beginning on or after 1 January 2025
3 No mandatory effective date yet determined but available for adoption

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 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. However, the amendments are available for adoption now. The amendents are not expected to have any significant impact on the Group's financial statements.

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.

The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments 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. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments shall be applied retrospectively with early application 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 7 and IFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Earlier application of the amendments is permitted. The amendments provide certain transition reliefs regarding comparative information, quantitative information as at the beginning of the annual reporting period and interim disclosures. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to IAS 21 specify how an entity shall assess whether a currency is exchangeable into another currency and how it shall estimate a spot exchange rate at a measurement date when exchangeability is lacking. The amendments require disclosures of information that enable users of financial statements to understand the impact of a currency not being exchangeable. Earlier application is permitted. When applying the amendments, an entity cannot restate comparative information. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening balance of retained profits or to the cumulative amount of translation differences accumulated in a separate component of equity, where appropriate, at the date of initial application. The amendments are not expected to have any significant impact on the Group's financial statements.

## 3. REVENUE

### (i) Disaggregated revenue information

| | 2023 HK$'000 | 2022 HK$'000 |
|---|---|---|
| **Type of services** | | |
| Testing services | **716,422** | 602,972 |
| Surveying services | **303,933** | 249,995 |
| Witnessing and ancillary services | **98,159** | 91,047 |
| Total | **1,118,514** | 944,014 |
| **Geographical markets** | | |
| Greater China | **650,368** | 615,313 |
| Singapore and other countries/regions | **468,146** | 328,701 |
| Total | **1,118,514** | 944,014 |
| **Timing of revenue recognition** | | |
| Services transferred at a point in time | **1,118,053** | 943,134 |
| Services transferred over a period of time | **461** | 880 |
| Total | **1,118,514** | 944,014 |

### (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*

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Greater China | **650,368** | 615,313 |
| Singapore and other countries/regions | **468,146** | 328,701 |
| Total revenue | **1,118,514** | 944,014 |

*(b) Non-current assets*

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Greater China | **277,933** | 266,710 |
| Singapore and other countries/regions | **85,536** | 56,204 |
| Total non-current assets | **363,469** | 322,914 |

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 year ended 31 December 2023, revenue generated from one of the Group's customers has accounted for 10.0% (2022: 12.3%) 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 Chinese Mainland has been provided at the rate of 5% during the year.

The Company's subsidiaries in Chinese Mainland 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 ended 31 December 2023 and 2022.

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

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Current tax | | |
| – Chinese Mainland | **15,328** | 16,738 |
| – Other jurisdictions | **19,577** | 16,510 |
| Deferred tax | **144** | (1,735) |
| Total tax charge for the year | **35,049** | 31,513 |

## 6. PROFIT BEFORE TAX

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

| | 2023<br>*HK$'000* | 2022<br>*HK$'000* |
|---|---|---|
| Cost of sales | **638,384** | 534,648 |
| Auditor's remuneration | **2,277** | 2,205 |
| Depreciation of property, plant and equipment | **43,012** | 41,306 |
| Depreciation of investment properties | **1,416** | 1,484 |
| Depreciation of right-of-use assets | **19,590** | 16,348 |
| Amortisation of intangible assets | **1,162** | 769 |
| Lease payments not included in the measurement of lease liabilities | **5,075** | 4,302 |
| Research and development costs* | **27,970** | 26,883 |
| Employee benefit expenses (including directors' and chief executive's remuneration): | | |
| – Wages and salaries | **377,776** | 322,616 |
| – Pension scheme contributions | **25,589** | 22,917 |
| – Welfare and other expenses | **99,766** | 85,424 |
| – Equity-settled share-based payment expense | **3,241** | 15,588 |
| Total | **506,372** | 446,545 |
| Impairment of financial assets: | | |
| Impairment of trade and bills receivables | **3,362** | 2,284 |
| Impairment of prepayments, other receivables and other assets | **391** | – |
| Total | **3,753** | 2,284 |

* During the year ended 31 December 2023, research and development costs of approximately HK$27,688,000 (2022: HK$26,745,000) were included in employee benefit expenses.

## 7. DIVIDENDS

| | 2023<br>*HK$'000* | 2022<br>*HK$'000* |
|---|---|---|
| 2022 Final — HK$0.0272 (2021 Final — HK$0.018) per ordinary share | **13,293** | 7,983 |
| 2023 Interim — HK$0.0269 (2022 Interim — HK$0.022) per ordinary share | **14,566** | 10,733 |

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, including HK$208,000 of the 2022 final dividend declared paid and HK$296,000 of 2023 interim dividend declared paid.

Subsequent to the end of the reporting period, a final dividend of HK$0.0174 (2022: HK$0.0272) per share for the year ended 31 December 2023 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 ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 530,067,622 (2022: 529,045,237) 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 Company, adjusted to reflect the interest and fair value gain 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:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation: | **80,048** | 69,397 |
| 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 Company, used in the diluted earnings per share calculation: | **80,048** | 63,067 |

| | **Number of shares** | |
|---|---|---|
| | **2023** | 2022 |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation *(Notes)* | **530,067,622** | 529,045,237 |
| Effect of dilution — weighted average number of ordinary shares: | | |
| Share options | **1,986,564** | 1,822,764 |
| Convertible bonds | **–** | 40,751,789 |
| Total | **532,054,186** | 571,619,790 |

*Notes:*

(a) The weighted average number of ordinary shares shown above for the years ended 31 December 2023 and 2022 have been arrived at after adjusting the shares held by the Company's share award scheme under the trust.

(b) The weighted average number of ordinary shares shown above for the year ended 31 December 2023 have been arrived at after adjusting the shares upon exercise of share options and convertible bonds.

(c) In addition, the number of shares adopted in the calculation of the basic and diluted earnings per share for the years ended 31 December 2023 and 2022 have been retrospectively adjusted to reflect bonus shares which became effective in July 2023.

The computation of diluted earnings per share for the year ended 31 December 2023 and 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 2023 and 2022.

At the year ended 31 December 2023, 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 calculated based on the profit for the year of HK$80,048,000, and the weighted average number of ordinary shares of 532,054,186 in issue during the year.

## 9. TRADE AND BILLS RECEIVABLES

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade and bills receivables | **218,424** | 177,950 |
| Impairment | **(9,583)** | (5,648) |
| Total | **208,841** | 172,302 |

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 and bills receivables are non-interest-bearing.

A subsidiary has pledged trade and bills receivables of approximately HK$20,210,000 (2022: nil) to secure a bank loan.

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

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 3 months | **171,431** | 148,564 |
| Over 3 to 6 months | **22,417** | 13,273 |
| Over 6 months to 1 year | **8,345** | 5,201 |
| Over 1 to 2 years | **5,107** | 5,264 |
| Over 2 years | **1,541** | – |
| Total | **208,841** | 172,302 |

As at 31 December 2023, included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of HK$46,474,000 (2022: HK$29,358,000) which are past due as at the reporting date. The past due balances 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 date, is as follows:

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Within 3 months | **42,022** | 38,805 |
| Over 3 to 6 months | **8,639** | 2,889 |
| Over 6 months to 1 year | **993** | 1,776 |
| Over 1 to 2 years | **256** | 152 |
| Total | **51,910** | 43,622 |

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In 2023, as the largest engine for global growth, China's GDP exceeded RMB126 trillion, representing an increase of 5.2% over the previous year[1]. With the introduction of policies to boost domestic demand and stabilize growth, China's economy will continue to develop in high quality. Last year, China's TIC[2] industry continued to show a steady and upward development trend with further optimized structure. China's energy industry actively coordinated the promotion of energy security and green and low-carbon transition, achieving breakthrough development. In 2023, the global renewable energy installed capacity reached 510 million kilowatts, of which China's contribution of more than 50%, injecting strong impetus into the global energy transition[3].

In 2023, riding on the advantage of the Group's leadership in various segments, 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. During the Year, the Company recorded revenue of HK$1,118.5 million, representing a year-on-year increase of 18.5%; profit for the Year reached HK$122.2 million, representing a year-on-year increase of 16.6%; profit attributable to owners of the Company recorded HK$80.0 million, representing a year-on-year increase of 15.3%.

The Group has been guided by its long-term vision and adheres to a clear development strategy since the listing. The first two three-year strategies had achieved promising results, expanding significantly in personnel scale, service networks, business segments and revenue and profit scale, and steadily stepping into rapid development. In the first three-year strategic plan from 2018 to 2020, the Group continued to consolidate its leading position in the niche segment of energy testing and expand the commodity services mainly focused on energy, and successfully deployed overseas business. In the second three-year strategic plan from 2021 to 2023, the Group continued to consolidate pillar businesses in the energy and commodity, enhanced the layout of the commodity services, expanded new businesses, and successfully extended new business scopes to clean energy, environmental protection, and climate change and other ESG related fields.

1 https://www.gov.cn/yaowen/liebiao/202401/content_6926714.htm

2 TIC represents the Testing, Inspection and Certification sector.

3 https://finance.china.com.cn/news/20240125/6076164.shtml

Based on our successful overseas experiences, the Company adopts a unique mergers and acquisitions approach to expand new business. 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 optimize 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 building a business platform where shareholders, the Company and the team are enabled to ensure the consistency and continuity of the long-term and short-term interests of all stakeholders.

With the successful implementation of the "unique M&A approach" model, we have seized several high-quality M&A projects to leverage the scale of fast growth. The Company's service offerings and network coverage have been successfully expanded, deepening the globalized layout and diversified business expansion. The Company has expanded its presence from major trading ports and hub cities in the Asia Pacific region to emerging markets in South America and Africa, and extended the business scope from traditional energy pillar business to clean energy, environmental protection, climate change, and other ESG-related sectors, meeting the one-stop service needs of global customers in a timely and high-quality manner.

Energy cooperation has always been key area of the "Belt and Road Initiative". Adhering to the principles of joint contribution and shared benefits, China has strengthened its energy cooperation with other countries under the framework of the "Belt and Road Initiative", and has made remarkable achievements over the past decade with a number of major landmark projects have been implemented, playing an important role in ensuring energy security, stabilizing energy supply, optimizing energy mix, and promoting technological innovation in cooperative countries and regions. In the future, China will continue to work with all parties to promote high-quality energy cooperation under the Belt and Road Initiative and build closer, greener and more inclusive energy partnerships. The Company has long provided professional services in key projects along the "Belt and Road", laid a solid foundation for the growth of the Southeast Asian market, meeting the one-stop service needs of global customers in a timely and high-quality manner. Currently, the Group has 72 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 and contribute to energy cooperation under the national "Belt and Road Initiative".

The Group continues to expand its professional service capacity and brand credibility, strengthen the platform capacity building, and enhance its laboratory layout. Meanwhile, the Group steps up its proprietary R&D investment and leads the innovation of inspection and testing technology in the industry, continuing to strengthen the Group's brand influence and international credibility. The Company has been awarded "Asia's 200 Best Under A Billion" by Forbes, the internationally renowned financial magazine, for a third straight year. The Company is highly recognized by the market for its excellent governance, operational capabilities and strong business performance.

**Business progress of each segment during the Year**

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 development strategy. Through the three main implementation dimensions of (1) ESG-Friendly; (2) ESG+; and (3) ESG-Focused, 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 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 72 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.

*Commodity business*

During the Year, the Group successfully acquired World Standardization Certification & Testing Group to further enhance its commodity service capabilities and consolidate its core competitive advantages. As of the end of 2023, the Group successfully obtained the qualifications of designated quality inspection institution for 10 futures products of the four major futures exchanges, and 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 recognized by the market.

On 30 June 2023, the Dalian Commodity Exchange authorized the Group as its designated quality inspection institution for coking coal, coke and iron ore, fully reflecting the Dalian Commodity Exchange's high recognition of the Group's professional ability, service quality, rich experience and brand credibility in the field of energy bulk inspection.

On 1 August 2023, the Shanghai Futures Exchange authorized the Group as its designated inspection institution for copper, aluminum and zinc metal futures and the Shanghai International Energy Exchange designated the Group as its designated inspection institution for international copper futures. The Group strictly fulfills its obligations as a designated inspection institution to serve the energy and bulk commodity inspection markets in depth.

On 16 May and 28 November 2023, the Guangzhou Futures Exchange authorized the Group as its designated quality inspection institution for industrial silicon and lithium carbonate futures respectively, which were important milestones for the Group in the field of new energy testing. With fair, efficient and professional services, the Group will contribute positively to the high-quality and sustainable development of the national new energy industry and continuously enhance its international competitiveness.

The Group has fully entered the field of commodity futures inspection and established business cooperation with numerous leading customers. The Group will continue to ensure the quality and safety of futures delivery with high-quality services, facilitate the stable operation of commodity futures and options markets, and provide professional and high-quality services for the in-depth market of futures inspection.

*In-house R&D Center*

The Company also made further R&D investments and participated in the formulation and revision of standards to propel the development of industry. During the Year, the Company actively participated in the research and development of varieties of recycled steel raw materials of the Dalian Commodity Exchange and became main drafting unit in the drafting of the group standard "Technical Specifications for Taking Samples of Recycled Steel Raw Materials". 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 Year, China National Coal Association conducted a scientific and technological achievement appraisal on the "development and application of intelligent coal inspection technology" project completed by the Company, 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.

The Company has been focusing on serving leading enterprises in the energy industry since its establishment, and continues to empower natural resource and commodity industry chains 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.

## *II. ESG+:*

Deepening the reform of the power system and building a new type of power system with new energy as the main body is a major decision and deployment made by the nation based on ensuring national energy security, achieving sustainable development, and promoting carbon neutrality. It provides important strategic guidance for the development of the energy industry and related industries in the new era, which is conducive to accelerate the construction of a clean, low-carbon, safe and efficient modern energy system in China, and promote the green transition and high-quality development of the economy and society.

With the acceleration of the construction of a new power system, through the ESG+ business which includes the three core business segments of clean energy, environmental protection and climate change, the Company fully leveraged its rich experience and advantages in the industry to actively cooperate with the transition needs of existing customers. Focusing on the national new energy and carbon neutrality strategy, the Group actively introduced advanced technologies and promoted technological innovation, 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 and helping accelerate the high-quality construction of new power systems.

(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 their 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 Year, we actively promoted technology innovation in inspection and testing and deepened the continuous exploration in the field of photothermal power generation testing. We successfully deepened the cooperation with the Institute of Electrical Engineering in the "16th China Photothermal Power Generation Conference" and cooperated with other institutions and enterprises to secure good project opportunities in the new energy field. With the construction of the national energy storage system, we accurately captured industry opportunities, seized the great opportunity in the first year of the new energy storage field development, actively explored new technologies for sustainable energy testing and stepped up efforts to develop new services in the field of energy storage operation, striving to become a technical service provider for in-depth energy storage management.

(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. In addition, 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.

The Company kept up the R&D efforts, enhanced our capacity for technological innovation, and continued to obtain new service qualifications. During the Year, the Company completed a total of 140 environmental protection consulting projects. On the basis of stabilizing the existing area of total solution operator for environmental protection, we actively expanded the transition mode of total solution operator for environmental protection and continued to optimize service capabilities. Under the Company's accelerated business regional layout in the early stage, simultaneously driven by new industry policies, the depth of market development was strengthened, the radiating provinces were further expanded, regional effects have gradually emerged, and the performance of the segment had achieved good growth momentum.

(3) **Climate change business**: The Company provides professional technical advisory services and comprehensive solutions in lowcarbon and sustainable development fields, mainly covering four 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 Year, the climate change business continued to make progress. The Group achieved large-scale carbon trading for the first time and has become one of the most important carbon inclusive asset trader in the Beijing carbon market. To actively support the low-carbon transition and sustainable development of the industry, the Group served the carbon emission reduction mechanism consulting projects of leading enterprises in the oil and gas industry, entered into framework cooperation agreements with domestic leading forestry management enterprises and mobility industry leaders, and provided comprehensive methane control services for industry giants as a comprehensive solution provider in the field of methane emission reduction and control.

The technical consulting business also achieved breakthroughs. During the Year, the Group completed the registration of China's first oil field production waste heat utilization carbon asset project, and the Group also completed the delivery of application for registration and issuance of China's first arable land soil carbon sink project, fully contributing to the national low-carbon, green and sustainable development strategy.

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

Entering 2024, the Group ushered in its third development strategy and comprehensively upgraded it to the "3+X" development strategy which includes accelerating the construction of the product lines of coal, oil and other commodity business (the three pillar businesses), increasing investment and development in clean energy, carbon neutrality and other ESG-oriented derivative businesses, balancing domestic and overseas layouts, continuing to enhance the corporate governance and talent-driven innovation mechanisms of the"unique M&A approach" model, and forming strategic support for innovative business development.

As China continues to implement significant plans to accelerate the green transition of the development model and actively yet prudently promotes carbon neutrality, it calls for accelerating the adjustment and optimization of the energy structure, based on China's energy and resource endowments, enhancing the regulation of total energy consumption and intensity, promoting clean, low-carbon, and efficient use of energy, and further promoting the energy revolution. To achieve these goals, China is actively working on constructing a new energy system, strengthening resource conservation and intensive recycling, and ensuring energy and resource security. Energy security, carbon neutrality, and the transition to a green, clean, and low-carbon economy are the primary objectives of China's energy development. The Group's "3+X" development strategy actively complies with the national energy development strategy, and the traditional businesses are based on the basic national conditions of China's coal-based energy structure. It fully utilizes energy and resource endowments to ensure the basic energy needs of the national economy and people's livelihood, ensuring the safety and stability of the national energy power supply. The new businesses of the Group, including clean energy, environmental protection, and climate change, seize the opportunities presented by green and low-carbon development and contribute to the construction of a new national power system. Looking ahead, the Group plans to further align its new businesses with key energy development strategies, such as the construction of new power systems, clean development mechanisms, the achievement of carbon neutrality, and other major energy development strategies. Through these efforts, the Group aims to stay current with the times and achieve significant advancements in energy transition.

The TIC industry is characterized by "GDP+" as the industry growth rate is higher than 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 in China[4]. 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 domestic and 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.

[4] https://stock.stockstar.com/JC2023071200010588.shtml

Embracing the business philosophy of long-term vision, the Group firmly implements the "3+X" development strategy. Based on 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 our unique advantages, enhance synergies, and strengthen customer bases and loyalty through fully tapping customer acquisition capabilities, 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 transition, and further consolidate its industry-leading position.

## FINANCIAL REVIEW

### Overview

| | **2023** | 2022 | **Change** |
|---|---|---|---|
| | ***HK$'000*** | *HK$'000* | |
| Revenue | **1,118,514** | 944,014 | 18.5% |
| Profit attributable to owners of the Company | **80,048** | 69,397 | 15.3% |

### Revenue

The Group's revenue increased by 18.5% from approximately HK$944.0 million in 2022 to approximately HK$1,118.5 million in 2023.

Riding on the booming TIC market trends and the advantage of the Group's leadership in various segments, the Group steadily promoted the development of various businesses based on the ever-expanding global service networks. The Group continuously deepened cooperation with different agencies and major customers, and constantly enhanced service quality to increase customer loyalty.

During the Year, the Group continues to expand its professional service capacity in commodity services to facilitate a better flow of global trade, and its commodity services (natural resources and commodities), being the pillar of the Group's core business, delivered continuous and steady growth. The Group fully entered the commodity futures inspection market and collaborated with numerous commodity leading clients, 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. In particular, the climate change business segment produced impressive results, hitting several milestones and securing a string of major clients during the Year, which created a strong revenue driver to expand our overall earnings. 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 Year increased by 15.3% from approximately HK$69.4 million in 2022 to approximately HK$80.0 million in 2023.

Relying on its global networks, the Group had further enhanced its ability to serve international leading customers, to meet the one-stop service needs of global customers in a timely and high-quality manner. The order-taking capability of each business division and the delivery capability of laboratories had been enhanced with the expansion in quality customer base.

The Group continued to expand its professional service capacity, enhance its platform capacity building, and further highlight its brand credibility and influence. In response to the rapid growth of ESG businesses, the Group systematically strengthened sustainable development over the previous two years and achieved promising results, as each business segment's revenue had increased, and profit had been progressively released.

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.

**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 2022 and 2023, with cash and cash equivalents of HK$222.3 million and HK$227.3 million as at 31 December 2022 and 2023 respectively.

**Treasury Management and Funding Policy**

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustment to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2023 and 2022.

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 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 100.0%. Net debt is calculated as trade payables, other payables and accruals, interest-bearing bank loans 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.

| | **2023** | 2022 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| Trade payables | **51,910** | 43,622 |
| Other payables and accruals | **71,155** | 72,993 |
| Interest-bearing bank loans | **48,530** | 26,449 |
| Convertible bonds | **48,612** | 50,861 |
| Less: Cash and cash equivalents | **(227,250)** | (222,254) |
| Net surplus | **(7,043)** | (28,329) |
| Equity attributable to owners of the Company | **424,501** | 378,268 |
| Capital and net debt | **417,458** | 349,939 |
| Gearing ratio *(Note)* | **–** | – |

*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 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 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 YEAR

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

## EMPLOYEES

As of 31 December 2023, the Group had 3,016 (2022: 2,528) employees in total. The Group's employee compensation includes base salary, bonuses and cash subsidies. 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.

Furthermore, the Company has adopted the share option scheme as well as the share award scheme as the incentives to Directors and eligible employees. As regards to the emolument policy of the employees of the Group, in general, the Group determines employee compensation based on each employee's performance, qualifications, position and seniority. 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 2023.

## DIVIDEND

The Board recommends the payment of a final dividend of HK$0.0174 per share in respect of the year ended 31 December 2023 to shareholders whose names appear on the register of members of the Company on Tuesday, 2 July 2024. The proposed final dividend will be paid on or around Monday, 15 July 2024, subject to approval at the annual general meeting of the Company to be held on Tuesday, 18 June 2024 (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, 2 July 2024 (the "**Record Date**"). 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 by ordinary post on or around Monday, 15 July 2024 at the risk of the Shareholders entitled thereto to their respective addresses show on the register of members of the Company on the Record Date.

## CLOSURE OF REGISTER

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

**(i) Book Close Dates for 2024 AGM**

From Thursday, 13 June 2024 to Tuesday, 18 June 2024, 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 Wednesday, 12 June 2024; and

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

From Wednesday, 26 June 2024 to Tuesday, 2 July 2024, 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, 25 June 2024.

## 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 C1 to the Listing Rules (the "**CG Code**").

For the year ended 31 December 2023, 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 ("**Mr. Li**") 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 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 chief executive 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 C3 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 2023.

## 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 2023 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 2023 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.hk1586.com, respectively. The annual report of the Company for the year ended 31 December 2023 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, 25 March 2024

*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