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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 2024**

#### **FINANCIAL HIGHLIGHTS**

- The Group's revenue for the Period amounted to approximately HK\$611.9 million, representing an increase of 21.1% from approximately HK\$505.4 million for the six months ended 30 June 2023.
- The Group's profit for the Period amounted to approximately HK\$79.9 million, representing an increase of 16.7% from approximately HK\$68.5 million for the six months ended 30 June 2023.
- The Group's profit attributable to owners of the Company for the Period amounted to approximately HK\$50.8 million, representing an increase of 5.3% from approximately HK\$48.3 million for the six months ended 30 June 2023.

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 2024 (the “**Period**”), together with the comparative figures for the corresponding period in 2023 as follows:

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

*For the six months ended 30 June 2024*

		<b>Six months ended</b>	
		<b>30 June 2024</b>	30 June 2023
		(Unaudited)	(Unaudited)
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>REVENUE</b>	3	<b>611,913</b>	505,380
Cost of sales		<u>(352,816)</u>	<u>(274,533)</u>
Gross profit		<b>259,097</b>	230,847
Other income and other gains and losses	4	<b>1,048</b>	2,399
Selling and distribution expenses		<b>(23,203)</b>	(15,205)
Administrative expenses		<b>(124,376)</b>	(113,814)
Fair value changes of financial assets and liabilities at fair value through profit or loss		<b>(24)</b>	(3,550)
Other expenses		<b>(12,850)</b>	(16,727)
Finance costs		<u>(4,038)</u>	<u>(1,901)</u>
<b>PROFIT BEFORE TAX</b>	5	<b>95,654</b>	82,049
Income tax expense	6	<u>(15,739)</u>	<u>(13,552)</u>
<b>PROFIT FOR THE PERIOD</b>		<u><b>79,915</b></u>	<u>68,497</u>
Attributable to:			
Owners of the Company		<b>50,828</b>	48,288
Non-controlling interests		<u><b>29,087</b></u>	<u>20,209</u>
		<u><b>79,915</b></u>	<u>68,497</u>

		<b>Six months ended</b>	
		<b>30 June 2024</b>	30 June 2023
		<b>(Unaudited)</b>	(Unaudited)
<i>Note</i>		<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Other comprehensive (loss) income:</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
	Exchange differences on translation from functional currency to presentation currency	<b>(600)</b>	2,867
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>			
	Exchange differences on translation of foreign operations	<b>(6,543)</b>	(11,481)
<b>OTHER COMPREHENSIVE LOSS FOR THE PERIOD, NET OF INCOME TAX</b>		<b>(7,143)</b>	(8,614)
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>72,772</b>	59,823
Attributable to:			
	Owners of the Company	<b>46,655</b>	41,738
	Non-controlling interests	<b>26,117</b>	18,285
		<b>72,772</b>	59,823
<b>EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY</b>			
	Basic	<b>8 HK9.62 cents</b>	HK9.10 cents
	Diluted	<b>8 HK9.59 cents</b>	HK9.07 cents

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2024*

		At <b>30 June 2024</b> (Unaudited) <i>HK\$'000</i>	At 31 December 2023 (Audited) <i>HK\$'000</i>
<i>Note</i>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>230,458</b>	233,983
Investment properties		<b>15,019</b>	15,829
Right-of-use assets		<b>72,451</b>	75,900
Goodwill		<b>33,253</b>	34,021
Intangible assets		<b>2,096</b>	2,585
Financial assets at fair value through profit or loss		<b>4,654</b>	4,714
Deferred tax assets		<b>2,217</b>	2,250
Prepayments, other receivables and other assets		<b>3,331</b>	1,151
		<b>363,479</b>	370,433
Total non-current assets		<b>363,479</b>	370,433
<b>Current assets</b>			
Inventories		<b>2,327</b>	2,935
Trade and bills receivables	9	<b>225,545</b>	208,841
Prepayments, other receivables and other assets		<b>49,936</b>	43,991
Financial assets at fair value through profit or loss		<b>1,548</b>	1,471
Pledged deposits		<b>1,935</b>	160
Time deposits with an initial term of over three months		<b>44,489</b>	39,454
Cash and cash equivalents		<b>190,880</b>	227,250
		<b>516,660</b>	524,102
Total current assets		<b>516,660</b>	524,102

		At 30 June 2024 (Unaudited) HK\$'000	At 31 December 2023 (Audited) HK\$'000
	<i>Note</i>		
<b>Current liabilities</b>			
Trade payables	10	39,031	51,910
Contract liabilities		8,781	8,029
Other payables and accruals		64,632	70,432
Interest-bearing bank loans		54,519	48,530
Tax payable		20,172	31,586
Lease liabilities		16,195	17,863
Convertible bonds		–	48,612
		<hr/>	<hr/>
Total current liabilities		203,330	276,962
		<hr/>	<hr/>
<b>Net current assets</b>		313,880	247,140
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		676,809	617,573
		<hr/>	<hr/>
<b>Non-current liabilities</b>			
Lease liabilities		36,897	43,792
Deferred tax liabilities		1,655	3,780
Other payables and accruals		529	723
		<hr/>	<hr/>
Total non-current liabilities		39,081	48,295
		<hr/>	<hr/>
<b>Net assets</b>		637,728	569,278
		<hr/> <hr/>	<hr/> <hr/>
<b>Equity</b>			
Equity attributable to owners of the Company			
Share capital		210	210
Reserves		466,624	424,291
		<hr/>	<hr/>
		466,834	424,501
Non-controlling interests		170,894	144,777
		<hr/>	<hr/>
<b>Total equity</b>		637,728	569,278
		<hr/> <hr/>	<hr/> <hr/>

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

## 1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2024 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 D2 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 2023.

## 2. CHANGES IN ACCOUNTING POLICIES

### Application of New and Amendments to International Financial Reporting Standards (“IFRSs”)

#### *Changes in accounting policies and disclosures*

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following revised IFRSs for the first time for the current period’s financial information.

Amendments to IFRS 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)</i>
Amendments to IAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)</i>
Amendments to IAS 7 and IFRS 7	<i>Supplier Finance Arrangements</i>

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

- (a) 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.

Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of IFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

- (b) 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 Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) 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. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments.

As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

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

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

Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>2</sup></i>
Amendments to IAS 21	<i>Lack of Exchangeability<sup>1</sup></i>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2025

<sup>2</sup> No mandatory effective date yet determined but available for adoption

The Group is in the process of making an assessment of the impact of these new and revised IFRSs upon initial application.

### 3. REVENUE

#### Disaggregation of revenue from contracts with customers

Segments	Six months ended	
	30 June 2024 (Unaudited) <i>HK\$'000</i>	30 June 2023 (Unaudited) <i>HK\$'000</i>
<b>Type of services</b>		
Testing services	342,386	305,166
Surveying services	174,188	134,549
Witnessing and ancillary services	95,339	65,665
Total	<u>611,913</u>	<u>505,380</u>
<b>Geographical markets</b>		
Greater China	337,086	318,639
Overseas	274,827	186,741
Total	<u>611,913</u>	<u>505,380</u>
<b>Timing of revenue recognition</b>		
A point in time	<u>611,913</u>	<u>505,380</u>
Total	<u>611,913</u>	<u>505,380</u>



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

	Six months ended	
	30 June 2024	30 June 2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
<b>Other income</b>		
Interest income	1,849	1,149
Value-added and other tax refund	155	795
Government subsidies	185	969
Rental income	746	819
	<u>2,935</u>	<u>3,732</u>
<b>Other gains and losses</b>		
Loss on convertible bond redemption	(2,043)	–
Loss on foreign exchange difference	(41)	(519)
(Loss) gain on disposal of items of property, plant and equipment	(20)	183
Others	217	(997)
	<u>(1,887)</u>	<u>(1,333)</u>
	<u>1,048</u>	<u>2,399</u>

#### 5. PROFIT BEFORE TAX

	Six months ended	
	30 June 2024	30 June 2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000

The Group's Profit before tax has been arrived after charging:

Depreciation of property, plant and equipment	20,329	27,237
Depreciation of investment properties	701	721
Depreciation of right-of-use assets	9,895	8,789
Amortisation of intangible assets	533	554
Research and development costs (included in other expenses):		
— Current period expenditure	<u>12,848</u>	<u>15,308</u>

## 6. INCOME TAX EXPENSE

	Six months ended	
	30 June 2024	30 June 2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current income tax		
— Mainland China	6,701	7,635
— Other jurisdictions	9,038	5,918
	<u>15,739</u>	<u>13,552</u>

## 7. DIVIDENDS

The proposed final cash dividend of HK\$0.0174 per share for the year ended 31 December 2023 was approved by the Company's shareholders on 18 June 2024. The Board of Directors has resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: HK\$0.0269).

## 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 2024	30 June 2023
	(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>50,828</u>	<u>48,288</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> )	528,091	482,386
Effect of dilutive potential ordinary shares:		
— Share options	<u>1,872</u>	<u>1,578</u>
Weighted average number of ordinary shares in issue during the period used in the diluted earnings per share calculation	<u>529,963</u>	<u>483,964</u>

Notes:

- (a) The weighted average number of ordinary shares shown above for the six months ended 30 June 2024 and 2023 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 2023 has been retrospectively adjusted to reflect the bonus shares which became effective in July 2023.

The computation of diluted earnings per share for the six months ended 30 June 2024 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 2024 and 2023.

At the six month ended 30 June 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 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\$50,828,000, and the weighted average number of ordinary shares of 529,962,593 in issue during the period.

## 9. TRADE RECEIVABLES

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Trade receivables	<b>234,925</b>	218,424
Allowance for credit losses	<b>(9,380)</b>	(9,583)
	<b><u>225,545</u></b>	<u>208,841</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 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Within 3 months	<b>180,007</b>	171,431
Over 3 to 6 months	<b>27,018</b>	22,417
Over 6 months to 1 year	<b>12,018</b>	8,345
Over 1 year	<b>6,502</b>	6,648
Total	<b><u>225,545</u></b>	<u>208,841</u>

## 10. TRADE PAYABLES

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

	<b>30 June 2024 (Unaudited) HK\$'000</b>	31 December 2023 (Audited) HK\$'000
Within 3 months	<b>34,909</b>	42,022
Over 3 to 6 months	<b>2,715</b>	8,639
Over 6 months to 1 year	<b>1,248</b>	993
Over 1 to 2 years	<b>159</b>	256
	<b>39,031</b>	51,910

## 11. EVENTS AFTER THE REPORTING PERIOD

As disclosed in the circular and the announcement of the Company dated 23 May 2024 and 18 June 2024 respectively, the bonus issue (the “**2024 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. 2 July 2024, by the qualifying shareholders. As at 2 July 2024, there were in total 541,987,301 shares in issue. The number of bonus shares issued under the 2024 Bonus Issue was 54,198,730 shares.

Pursuant to the terms of the share option scheme (the “**Share Option Scheme**”) adopted by the Company on 5 May 2017, the exercise prices of the share options granted under the Share Option Scheme were adjusted and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the 47,499,364 outstanding share options were adjusted to 52,249,300 share options as a result of the 2024 Bonus Issue in the manner as disclosed in the announcement of the Company dated 2 July 2024.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business Review

In 2023, China's TIC<sup>1</sup> industry continued to show a steady and upward development trend. According to the latest statistics from the State Administration for Market Regulation, as of the end of 2023, there were 53,834 TIC institutions in China, with a total annual revenue of RMB467.01 billion, representing a year-on-year increase of 9.2%. The industry scale continued to expand, and the market structure was further optimized with the expansion of differentiated development of TIC fields.<sup>2</sup> In the first half of the year, the power system operated safely and stably, and the power supply assurance achieved good results. Data from the National Energy Administration showed that in the first half of 2024, the accumulated installed power generation capacity nationwide was approximately 3.1 billion kilowatts, representing a year-on-year increase of 14.1%. Among them, the installed capacity of solar power generation was approximately 710 million kilowatts, representing a year-on-year increase of 51.6%; the installed capacity of wind power generation was approximately 470 million kilowatts, representing a year-on-year increase of 19.9%.<sup>3</sup> Under the outline of planning and constructing a new energy system and a new power system, the energy industry has been actively coordinating and progressing energy security as well as green and low-carbon transition, achieving breakthrough development with new momentum constantly emerging.

In the first half of 2024, riding on the stable TIC market and the effective strategic guidance, the Group continued to enhance its brand credibility, operational efficiency and core competitive advantages, achieving high-quality development with steady progress. During the Period, the Company recorded revenue of HK\$611.9 million, representing a year-on-year increase of 21.1%; profit for the Period amounted to approximately HK\$79.9 million, representing a year-on-year increase of 16.7%, further consolidating its industry leading position.

<sup>1</sup> TIC represents the Testing, Inspection and Certification sector.

<sup>2</sup> <https://www.woyaoce.cn/news/501148.html>

<sup>3</sup> [https://www.nea.gov.cn/2024-07/20/c\\_1310782235.htm](https://www.nea.gov.cn/2024-07/20/c_1310782235.htm)

With the successful implementation of the “unique M&A approach” model, the Group was the pioneer in the industry to effectively and efficiently complete a global network. We had seized several high-quality M&A projects to leverage the speedy growth in scale. The Company’s service offerings and network coverage had been successfully expanded, deepening the globalized layout and diversified business expansion. The Company had extended the business scope from traditional energy pillar business to clean energy, environmental protection, climate change, and other ESG-related sectors, and expanded its presence from major trading ports and hub cities in the Asia Pacific region to emerging markets. We had 75 branches and professional laboratories globally in 18 countries including Vietnam, Thailand, South Korea, South Africa, the Philippines, Pakistan, the Netherlands, Malaysia, Indonesia, India, Dubai, Guinea, Brunei, Brazil, Australia, Bangladesh, Singapore, and Argentina, forming a highly competitive internationalized service network.

The Group’s international expansion had achieved remarkable results, with outstanding performance in overseas market development and continuous increase in overseas revenue. Currently, the Group ranked first among China’s TIC listed companies in terms of all four key performance indicators, namely, revenue from foreign operation, number of outlets, number of personnel in the professional service team, and number of international leading customers, surpassing all other domestic listed peers in the TIC industry.

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 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. 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”.

## *Business review of each segment*

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 "3+X" development strategy. Through the three main implementation dimensions of (1) ESG-Friendly; (2) ESG+; and (3) ESG-Focused, we have achieved our long-term sustainable strategies, fulfilled our corporate social responsibility, and contributed to the green and low-carbon transition of the industry. In the first half year of 2024, the Company capitalized on the synergy of various business segments to drive the overall growth of revenue. Details 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 75 service outlets and 18 categories of professional qualification certifications around the world, the Company's services involve more than 50 types of commodities and natural resources. Regarding commodity services as the pillar of the Company's core business, the Company has established its leading market position in the segments with distinguished brand credibility through years of remarkable efforts and growth.

The Group, underpinned by its powerful comprehensive strength, excellent technical capabilities, and outstanding talent team, has become the designated inspection institution for multiple exchanges. In the first half of 2024, the Group continued to obtain qualifications as the designated quality inspection institution for futures exchanges, further solidifying its rich experience in bulk commodity inspection business as well as the brand credibility. On 22 January 2024, the Shanghai Futures Exchange authorized the Group as its designated inspection institution for alumina futures. After becoming the designated inspection institution for the Shanghai Futures Exchange's three major non-ferrous metals, namely copper, aluminum, and zinc, the Group had once again become its designated inspection institution for alumina futures, gradually deepening its brand recognition among non-ferrous metal customers. On 14 June 2024, the Zhengzhou Commodity Exchange authorized the Group as its designated inspection institution for ferroalloy futures, fully demonstrating Zhengzhou Commodity Exchange's high degree of recognition of the Group's rich experience in bulk commodity inspection business as well as the brand credibility.

The Company also made further R&D investments and participated in the formulation and revision of standards to propel the development of the industry. The Company completed the declaration of the Dalian Commodity Exchange's designated inspection institution for scrap steel and became the third drafting unit in completing the construction of the group standard for *Scrap Steel* (published). At the same time, the Company was recommended by the Dalian Commodity Exchange to be part of the drafting unit for the national standard of *Scrap Steel*, and it has already completed the drafting and is currently in the stage of soliciting opinions on the national standard. In addition, the Company was commissioned by Dalian Commodity Exchange to continue to perform the inspection tasks of recycled steel raw materials for the year 2024. 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.

## II. ESG+:

With the acceleration of the construction of a new power system, 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 opened up new energy sectors based on wind power and solar power generation as well as other clean energy testing services. Our services cover quality inspection or re-inspection of wind power, photovoltaic manufacturing supervision, hoisting supervision and wind turbine inspection, quality inspection before warranty expiration, operation and maintenance; collection, testing as well as regular operation and maintenance of data during wind power and photovoltaic operation to enhance the stability of 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. In addition, the Company further strengthens its environmental protection service offerings through leakage detection and repair (“**LDAR**”) services. We conducts screening and precise positioning of suspected pipeline leakage points, combining pipeline data platforms, pipeline risk identification and evaluation systems, as well as detection and repair to provide diversified and integrated services, which helps enterprises eliminate potential pipeline safety hazards and reduce pipeline accident rates. LDAR plays a major role in the low-carbon transition and serve as a critical component to achieve carbon neutrality objectives.
- (3) **Climate change business:** The Company provides professional technical advisory services and comprehensive solutions in low-carbon 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.

### *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. 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**

Energy security, 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 general 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 keep abreast with the times and achieve significant advancements in energy transition.

The TIC industry is characterized by “GDP+” as the industry growth rate is 2 times 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.<sup>4</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 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.

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, and further consolidate its industry-leading position.

## Financial Review

### Overview

	Six months ended		Change
	30 June 2024 (Unaudited) <i>HK\$'000</i>	30 June 2023 (Unaudited) <i>HK\$'000</i>	
Revenue	<b>611,913</b>	505,380	21.1%
Profit for the Period	<b>79,915</b>	68,497	16.7%

<sup>4</sup> <https://stock.stockstar.com/JC2023071200010588.shtml>

## ***Revenue***

The Group's revenue for the Period amounted to approximately HK\$611.9 million, representing an increase of 21.1% from approximately HK\$505.4 million for the six months ended 30 June 2023.

### ***Empowered by global presences, overseas business delivered strong growth momentum***

The Group fully captured the TIC market trends and continuously deepened cooperation with major customers, steadily promoting the development of various businesses and enhancing the service quality. In recent years, by actively exploring vast overseas market opportunities and actively seized the tremendous opportunities brought by the blossoming development of the global emerging markets, the Group created a strong advantage in delivering services globally with 75 branches and professional laboratories globally in various countries and regions currently. With its global presence, the Group further enhanced its ability to serve industry leaders. Customer stickiness continued to increase, and overseas revenue continued to rise. In the first half of 2024, the group's overseas revenue reached HK\$274.8 million, representing a year-on-year increase of 47.2%, which strongly drove the growth of the Group's overall revenue.

### ***Continuous strengthening of traditional business, rapid development of new business***

During the Period, the Group continued to expand its professional service capacity in commodity services to facilitate a better flow of global trade, and had become the designated inspection institution for multiple major commodity exchanges, which further solidified the Group's leading market position in the segment. The Group's ESG+ businesses such as clean energy, environmental protection, and climate change had developed rapidly and delivered growth with the continuous expansion of the customer base. The traditional business and new business fully delivered maximum synergy, which collectively contributed to revenue growth of the Group.

### ***Profit for the Period***

The Group's profit for the Period amounted to approximately HK\$79.9 million, representing an increase of 16.7% from approximately HK\$68.5 million for the six months ended 30 June 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 business delivery capacity of laboratories had been enhanced with the expansion in quality customer base.

The Group continued to expand its professional service capacity and further highlight its brand credibility and influence. 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 2024, 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 2024 HK\$'000</b>	31 December 2023 HK\$'000
Trade payables	<b>39,031</b>	51,910
Other payables and accruals	<b>65,161</b>	71,155
Interest-bearing bank loans	<b>54,519</b>	48,530
Convertible bonds	–	48,612
Less: Cash and cash equivalents	<b>(190,880)</b>	(227,250)
Net surplus	<b>(32,169)</b>	(7,043)
Equity attributable to owners of the Company	<b>466,834</b>	424,501
Capital and net debt	<b>434,665</b>	417,458
Gearing ratio ( <i>Note</i> )	–	–

*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 2024, the Group had no material acquisitions or disposals of subsidiaries, associate and joint ventures.

### **EMPLOYEES**

As at 30 June 2024, the Group had 3,184 employees (six months ended 30 June 2023: 2,660) in total. The Group's employee compensation includes base salaries, 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. 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.

## **INTERIM DIVIDEND**

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 2023: HK\$0.0269).

## **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 C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). During the Period, 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 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 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 such 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 have complied with the required standards set out in the Model Code regarding directors’ securities transactions throughout 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 INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This 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.hk1586.com](http://www.hk1586.com), respectively. The interim report of the Company for the Period containing all the information required by the Listing Rules will be published on the abovementioned websites and printed copies will be sent to shareholders of the Company who have elected to receive printed copies in due course.

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

Beijing, PRC, 29 August 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