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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 2021**

FINANCIAL HIGHLIGHTS

- The Group's revenue for the Period amounted to approximately RMB326.3 million, representing an increase of 34.8% from approximately RMB242.1 million for the six months ended 30 June 2020.
- The Group's profit for the Period amounted to approximately RMB41.0 million, representing an increase of 29.6% from approximately RMB31.7 million for the six months ended 30 June 2020.
- Earnings per share (basic) attributable to ordinary equity holders for the Period amounted to RMB6.88 cents, representing an increase of 29.3% from RMB5.32 cents for the six months ended 30 June 2020.

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 condensed consolidated financial results of the Group for the six months ended 30 June 2021 (the "**Period**"), together with the comparative figures for the corresponding period in 2020 as follows:

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

For the six months ended 30 June 2021

		Six months ended	
		30 June 2021	30 June 2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	<i>RMB'000</i>
REVENUE	3	326,271	242,089
Cost of sales		(188,874)	(138,464)
		<hr/>	<hr/>
Gross profit		137,397	103,625
Other income and other gains and losses	4	4,549	3,341
Selling and distribution expenses		(10,645)	(6,464)
Administrative expenses		(73,455)	(52,532)
Impairment losses under expected credit loss model, net		(1,103)	(1,142)
Other expenses		(4,293)	(5,206)
Finance costs		(1,927)	(2,770)
		<hr/>	<hr/>
PROFIT BEFORE TAX	5	50,523	38,852
Income tax expense	6	(9,484)	(7,182)
		<hr/>	<hr/>
PROFIT FOR THE PERIOD		41,039	31,670
		<hr/>	<hr/>
Attributable to:			
Owners of the Company		27,191	21,264
Non-controlling interests		13,848	10,406
		<hr/>	<hr/>
		41,039	31,670
		<hr/>	<hr/>

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

For the six months ended 30 June 2021

		Six months ended	
		30 June 2021	30 June 2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	RMB'000	RMB'000
Other comprehensive expense:			
<i>Item that will not be reclassified to profit or loss:</i>			
Fair value loss on investment			
in equity instrument at fair value			
through other comprehensive income		–	(402)
<i>Item that may be reclassified to profit or loss</i>			
<i>in subsequent periods:</i>			
Exchange differences on translation			
of foreign operations		(3,100)	(2,418)
		<hr/>	<hr/>
OTHER COMPREHENSIVE EXPENSE			
FOR THE PERIOD, NET OF INCOME TAX		(3,100)	(2,820)
		<hr/> <hr/>	<hr/> <hr/>
TOTAL COMPREHENSIVE INCOME			
FOR THE PERIOD		37,939	28,850
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Owners of the Company		25,610	17,977
Non-controlling interests		12,329	10,873
		<hr/>	<hr/>
		37,939	28,850
		<hr/> <hr/>	<hr/> <hr/>
EARNINGS PER SHARE ATTRIBUTABLE			
TO ORDINARY EQUITY HOLDERS			
OF THE COMPANY <i>(cents)</i>			
Basic	8	6.88	5.32
		<hr/> <hr/>	<hr/> <hr/>
Diluted	8	6.87	5.32
		<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		153,567	149,545
Right-of-use assets		40,822	30,679
Investment properties		17,532	18,169
Goodwill	9	17,919	17,607
Intangible assets		2,723	3,059
Deferred tax assets		685	520
Prepayments and other receivables		4,273	10,410
		<u>237,521</u>	<u>229,989</u>
Current assets			
Trade receivables	10	120,469	108,459
Prepayments, other receivables and other assets		14,790	21,414
Pledged deposits		970	784
Cash and cash equivalents		142,916	78,875
		<u>279,145</u>	<u>209,532</u>
Current liabilities			
Trade payables	11	35,917	35,259
Contract liabilities		1,581	3,983
Other payables and accruals	12	34,777	51,580
Borrowings		41,716	25,000
Tax payable		7,109	9,757
Lease liabilities		10,041	13,343
		<u>131,141</u>	<u>138,922</u>
Net current assets		<u>148,004</u>	70,610
Total assets less current liabilities		<u>385,525</u>	<u>300,599</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)**As at 30 June 2021*

		30 June	31 December
		2021	2020
		(Unaudited)	(Audited)
	<i>Notes</i>	RMB'000	RMB'000
Non-current liabilities			
Borrowings		2,830	8,830
Deferred tax liabilities		3,854	3,874
Lease liabilities		14,941	13,170
Convertible bonds	<i>13</i>	31,052	–
		<hr/>	<hr/>
		52,677	25,874
		<hr/>	<hr/>
Net assets		332,848	274,725
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Share capital	<i>14</i>	132	131
Reserves		291,376	250,974
		<hr/>	<hr/>
Equity attributed to owners of the Company		291,508	251,105
Non-controlling interests		41,340	23,620
		<hr/>	<hr/>
Total equity		332,848	274,725
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

1. BASIS OF PREPARATION

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

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate.

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“IFRSs”) and application of certain accounting policies which become relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

The Group has applied the following accounting policy during the current interim period which become relevant to the Group.

Convertible notes

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company’s own equity instruments is an equity instrument. At the date of issue, the fair value of the debt component is estimated by measuring the fair value of similar liability that does not have an associated equity component.

The conversion option classified as equity is determined by deducting the amount of the debt component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. The conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the debt and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the debt component are included in the carrying amount of the debt component and are amortised over the lives of the convertible notes using the effective interest method.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39 IFRS 7, IFRS 4, and IFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to IFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of revenue from contracts with customers

Segments	Six months ended	
	30 June 2021 (Unaudited) RMB'000	30 June 2020 (Unaudited) RMB'000
Type of services		
Testing services	208,859	157,593
Surveying services	87,119	78,310
Witnessing and ancillary services	30,293	6,186
Total	326,271	242,089
Geographical markets		
Greater China	181,233	148,061
Overseas	145,038	94,028
Total	326,271	242,089
Timing of revenue recognition		
A point in time	326,271	242,089
Total	326,271	242,089

4. OTHER INCOME AND OTHER GAINS AND LOSSES

	Six months ended	
	30 June 2021 (Unaudited) <i>RMB'000</i>	30 June 2020 (Unaudited) <i>RMB'000</i>
Other income		
Bank interest income	25	35
Value-added tax refund	649	629
Government subsidies	3,320	672
Rental income	668	1,005
	4,662	2,341
Other gains and losses		
Impairment loss recognised in respect of goodwill	(572)	–
Change in fair value of financial assets at fair value through profit or loss	149	90
(Loss) gain on foreign exchange difference	(486)	489
Loss on disposal of items of property, plant and equipment	(71)	(97)
Others	867	518
	(113)	1,000
	4,549	3,341

5. PROFIT BEFORE TAX

	Six months ended	
	30 June 2021	30 June 2020
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
The Group's Profit before tax has been arrived after charging:		
Depreciation of property, plant and equipment	13,118	12,679
Depreciation of investment properties	637	637
Depreciation of right-of-use assets	7,082	7,460
Amortisation of intangible assets	308	379
Research and development costs (included in other expenses):		
Current period expenditure	4,180	5,162
Impairment loss of trade receivables, net	1,103	946
	=====	=====

6. TAXATION

	Six months ended	
	30 June 2021	30 June 2020
	(Unaudited)	(Unaudited)
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
– Greater China	6,189	4,561
– Overseas	3,295	2,621
	=====	=====
	9,484	7,182
	=====	=====

7. DIVIDENDS

The proposed final cash dividend of RMB0.0375 per share for the year ended 31 December 2020 was approved by the Company's shareholders on 18 June 2021. On 30 August 2021, the board of directors of the Company declared an interim dividend of HK\$0.0225 per share for the six months ended 30 June 2021 (six months ended 30 June 2020: nil).

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 2021	30 June 2020
	(Unaudited)	(Unaudited)
	RMB'000	RMB'000
Profit for the Period attributable to owners of the Company for the purpose of basic and diluted earnings per share	27,191	21,264
Shares		
	'000	'000
Weighted average number of ordinary shares for the purpose of basic earnings per share	395,230	400,000
Effect of dilution – weighted average number of ordinary shares – Share options issued by the Company	279	–
Weighted average number of shares for the purpose of diluted earnings per share	395,509	400,000

For the six months ended 30 June 2020, the computation of diluted profit per share does not assume the exercise of certain of the Company's outstanding share options since the exercise price of the share options are higher than the average price of the Company's shares during the six months ended 30 June 2020.

For the six months ended 30 June 2021, the computation of diluted earnings per share does not assume the conversion of the Company's outstanding convertible bonds since their exercise would result in an increase in earnings per share.

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the six months ended 30 June 2021 has been arrived at after deducting the shares held in trust for the Company.

9. GOODWILL

RMB'000

COST

At 31 December 2020 and 1 January 2021 (audited)	17,607
Acquisition of subsidiaries (<i>Note</i>)	1,328
Impairment loss recognised	(572)
Exchange realignment	(444)
	<hr/>
At 30 June 2020 (unaudited)	17,919
	<hr/> <hr/>

Note: Acquisition of subsidiaries mainly refers to the acquisition of Tianjin Zhiheng Environmental Technology Limited[#] (天津之恒環境科技有限公司) and Tianjin Huaneng Environmental Monitoring Service Co., Ltd.[#] (天津華能環境監測服務有限公司).

The Group tests for impairment of goodwill annually and in the financial year in which the acquisition takes place, or more frequently if there are indications that goodwill might be impaired.

10. TRADE RECEIVABLES

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Trade receivables	125,132	112,019
Allowance for credit losses	(4,663)	(3,560)
	<hr/>	<hr/>
	120,469	108,459
	<hr/> <hr/>	<hr/> <hr/>

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 3 months	101,148	88,635
3 to 6 months	11,841	11,351
6 months to 1 year	6,739	6,983
1 to 2 years	741	1,490
	<hr/>	<hr/>
	120,469	108,459
	<hr/> <hr/>	<hr/> <hr/>

[#] For identification purpose only

11. TRADE PAYABLES

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

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Within 3 months	28,989	27,812
3 to 6 months	4,670	4,895
6 months to 1 year	2,199	2,460
1 to 2 years	59	92
	<hr/>	<hr/>
	35,917	35,259
	<hr/> <hr/>	<hr/> <hr/>

12. OTHER PAYABLES AND ACCRUALS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Accrued salaries, wages and benefits	22,183	36,646
Other taxes payable	821	1,249
Payable to vendors of property, plant and equipment	2,067	3,597
Others	9,706	10,088
	<hr/>	<hr/>
	34,777	51,580
	<hr/> <hr/>	<hr/> <hr/>

Other payables are non-interest-bearing and have no fixed terms of settlement.

13. CONVERTIBLE BONDS

	30 June 2021 (Unaudited) RMB'000	31 December 2020 (Audited) RMB'000
Convertible Bonds	31,052	–

On 11 June 2021, the Company issued 2% convertible bonds of HK\$50,000,000 (the “Convertible Bonds”). The Convertible Bonds will mature on the date falling on the fifth anniversary of the date of issuance of the Convertible Bonds at a conversion price of HK\$1.63 per conversion share.

If the Convertible Bonds have not been converted, the Company shall, on the maturity date, redeem the outstanding Convertible Bonds, at 130% of the outstanding principal amount of those Convertible Bonds or any part thereof together with outstanding interest accrued thereon.

In addition, the bondholder shall have the right at its option, to require the Company to redeem all or part of the Convertible Bonds together with any then outstanding unpaid interest by giving the Company a notice of redemption in accordance with the terms of the Convertible Bonds on the dates, including third anniversary, the day falling three years and six months, the fourth anniversary and the day falling four years and six months of the issue date of the Convertible Bonds with redemption price at 118%, 121%, 124% and 127% of the outstanding principal amount of the Convertible Bonds respectively.

Further details of the Convertible Bonds are disclosed in the announcements of the Company dated 13 May 2021 and 11 June 2021.

14. SHARE CAPITAL

	Number of shares '000	<i>RMB'000</i>
Ordinary shares of US\$0.00005 each		
Authorised as at 1 January 2020, 31 December 2020 and 30 June 2021	1,000,000	328
Issued and fully paid ordinary shares		
Balance as at 1 January 2020 and 31 December 2020	400,000	131
Issue of shares upon exercise of share options (<i>Note</i>)	3,088	1
Balance as at 30 June 2021	403,088	132

Note:

The new shares issued rank pari passu in all respects with the existing shares in issue.

15. EVENTS AFTER THE REPORTING PERIOD

- (a) As disclosed in the circular and the announcement of the Company dated 18 May 2021 and 18 June 2021 respectively, the bonus issue (“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. 5 July 2021, by the qualifying shareholders. As at 5 July 2021, there were in total 403,088,000 shares in issue. The number of bonus shares issued under the Bonus Issue was 40,308,800 shares.

Pursuant to the terms of the share option scheme (the “Share Option Scheme”) adopted by the Company on 5 May 2017, the exercise price of the share options granted under the Share Option Scheme and the number of shares to be allotted and issued upon full exercise of the subscription rights attaching to the 6,372,000 outstanding share options are adjusted as a result of the Bonus Issue.

Pursuant to the terms of the Convertible Bonds, the conversion price of the Convertible Bonds and the number of conversion shares to be allotted and issued upon full conversion of the Convertible Bonds are adjusted as a result of the Bonus Issue.

Details of the number of bonus shares issued and adjustments to share options and Convertible Bonds are disclosed in the announcement of the Company dated 15 July 2021.

- (b) On 15 July 2021, the Board had resolved to grant share options to certain eligible persons to subscribe for a total of up to 36,100,000 ordinary shares of US\$0.00005 each in the share capital of the Company pursuant to the share option scheme adopted by the Company on 5 May 2017, of which 9,500,000 share options are subject to the approval in the general meeting.

Details of the share options granted are disclosed in the announcement of the Company dated 15 July 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

China Leon is an international third-party independent inspection and testing company. We provide our global customers with professional testing, inspection, certification, consultation and related technical services around-the-clock. Building on the Company's two key business segments, namely energy and commodity, and by fully leveraging its leading advantages and economies of scale, the Company has expanded the service scope to the electric power generation field, including inspection services in the clean energy field, particularly focusing on solar and wind power projects. The Company also provides environmental monitoring and testing services, including ecological monitoring, environmental technology consultation and carbon neutrality related services.

The Group's current service network covers numerous countries. In particular, we have 35 inspection agencies and laboratories across major domestic trading ports and cities in China, including Beijing, Shanghai, Shenzhen, Hong Kong, Qinhuangdao, Tangshan, Tianjin, Cangzhou, Nanjing, Jiangyin, Hunan, Hubei, Guangzhou, Zhuhai, Xinjiang, Shaanxi, Inner Mongolia, Dalian, Shandong, Zhoushan, Taizhou, Xiamen and Dongguan. Outside China, we have 21 inspection agencies and laboratories covering Singapore, India, Malaysia, Indonesia, Pakistan, Australia, Brunei, and Vietnam. The Company continues to promote innovation and strengthen R&D capabilities. As of 30 June 2021, the Company was granted 8 national invention patents with another 16 for pending approval, 30 utility patents with another 14 for pending approval, and 43 software copyrights.

We are pleased to announce that the excellent results of our Group for the first half of 2021. Our Group's total revenue increased to RMB326.3 million, and profit for the period reached a record high of RMB41.0 million. We have achieved a remarkable growth rate of 34.8% in revenue and 29.6% in profit for the first half of 2021. We have been focusing on commodity and energy testing and inspection services since incorporation. With continuous consolidation of our leading position, we are able to capitalize on the dominant position to actively develop TIC services in the clean energy field. Benefiting from the productive development and efficient operation, we have achieved organic growth in traditional and clean energy businesses, delivering impressive results for the period and laying the groundwork for a promising start under the second three-year plan.

The Company successfully acquired Tianjin Zhiheng Environmental Technology Limited[#] (天津之恆環境科技有限公司) and Tianjin Huaneng Environmental Monitoring Service Co., Ltd.[#] (天津華能環境監測服務有限公司). The environmental testing business is one of the key areas of focus in the X segment under the Group's 2+X growth strategy, and the acquisitions have stepped up the Company's service offering in the environmental testing field. The acquisitions demonstrate our determination and endeavours to venture into new areas, opening new development opportunities for us. With the target company credentials and resources accumulated in the environmental testing and inspection services, we can venture into the environmental testing and consultation related areas and build up the strong technical capability to meet the market demand in Northern China. At the same time, combining China Leon's advantages in terms of our industry expertise, brand influence, R&D capabilities with the target company's technical advantages in the relevant fields, we are able to achieve tremendous synergy, integrate resources, thereby fully capitalizing on combined commodity advantages and expanding its market influence. Through a more comprehensive service offering, we can help customers effectively enhance their ESG management standards and contribute to the sustainable development of the society.

The Company adopts a people-oriented talent strategy. We prioritize the health and safety of employees, advocates sustainable development between the Company and individuals, and attracts and retains outstanding technical and management teams with our diversified incentive mechanisms. The Company continues to recruit versatile talents, optimize our core teams, and build a talent pool effectively and efficiently. In the first half of 2021, we recruited 41 graduates from China University of Mining and Technology, Liaoning University, South China University of Technology and Guangzhou University through our cooperation scheme with the universities. We designed our training programmes based on our human resource planning. Meanwhile, we offered different courses to our current employees, so that our staff's qualifications and skills could be enhanced continuously through training.

2021 is the first year of our Group's second three-year plan since its IPO, and it is also China's first year of the full implementation on "peaking carbon emissions by 2030 and achieving carbon neutrality by 2060". The global economy is on gradual recovery with the progress of the vaccination programmes. We have set the "2+X" strategy to fully integrate the macroeconomic environment, and competitive strength so that we could optimize resource allocation and risk management for future development to better capture growth opportunities. The long-term growth strategy includes continuing to strengthening the commodity services, expanding the X business, and focusing on developing the TIC business in carbon-neutral related field. Our long-term vision and our "reliable and accountable culture" further enhances the brand influence and the business growth. We firmly believe that our collective endeavour will enable us to reach new heights. Finally, we would like to take this opportunity to thank our shareholders for their support and our colleagues for their devotion and hard work.

[#] For identification purpose only

Financial Review

Overview

	For the six months ended 30 June		
	2021	2020	Change
	(Unaudited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>	
Revenue	326,271	242,089	34.8%
Profit before tax	50,523	38,852	30.0%
Profit for the Period	41,039	31,670	29.6%

Revenue

The Group's revenue increased by 34.8% from approximately RMB242.1 million for the six months ended 30 June 2020 to approximately RMB326.3 million for the Period. The Company was benefited from the gradual recovery of the global economy and the growing market demand. The management of the Group focused on high-quality development, accurately grasped the market trend and effectively tapped into areas with strategic competitiveness. All the efforts contributed to the Group's continuous enhancement in overall competitiveness and brand influence. The table below sets forth the revenue breakdown of each of our service offerings.

	For the six months ended 30 June	
	2021	2020
	(Unaudited) <i>RMB'000</i>	(Unaudited) <i>RMB'000</i>
Testing services	208,859	157,593
Surveying services	87,119	78,310
Witnessing and ancillary services	30,293	6,186
	326,271	242,089

Profit for the Period

The Group's profit for the Period increased by 29.6% from approximately RMB31.7 million for the six months ended 30 June 2020 to approximately RMB41.0 million in the Period. The Company has achieved favorable performance in overall business development, with continuous growth delivered by every business segment. In particular, the core business segment of energy and commodity inspection has recorded robust growth, further consolidating its leading position in the segment.

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 to support our business and maximize our shareholders' value. We manage and adjust our capital structure considering changes in economic conditions and the risk characteristics 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.

Contingent Liabilities

As at 30 June 2021, the Group did not have any significant contingent liabilities or guarantees to third parties.

Gearing Ratio

The Group monitors capital on the basis of the gearing ratio. The calculation of gearing ratio is based on total net debt divided by capital plus net debt and multiplied by 100.0%. Net debt is calculated as trade payables, other payables and accruals, interest-bearing bank loans and other 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.

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables	35,917	35,259
Other payables and accruals	34,777	51,580
Bank loans and other loans	44,546	33,830
Convertible bonds	31,052	–
Less: Cash and cash equivalents	(142,916)	(78,875)
Net debt	3,376	41,794
Equity attributable to owners of the Company	289,989	251,105
Capital and net debt	293,365	292,899
Gearing ratio	1.15%	14.27%

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.

Acquisitions of Subsidiaries

On 3 February 2021, a subsidiary of the Company has entered into the sale and purchase agreements with the vendors for the acquisition of the target companies located in the PRC. The principal activities of the target companies are providing environmental monitoring and testing services including ecological monitoring, environmental technology consultation and assessment.

HUMAN RESOURCES

As at 30 June 2021, the Group had 1,781 employees (For the six months ended 30 June 2020: 1,500) in total. The Group's employee compensation includes base salary, bonuses and cash subsidies. In general, the Group determines employee compensation based on each employee's performance, qualifications, position and seniority. Other agreed employee benefits includes pension scheme, medical insurance, on-job training, education subsidy and other social security and paid leaves stipulated under the relevant jurisdiction of places of operation.

The emolument policy of the employees of the Group is based on their merit, qualifications and competence. The Company has adopted the share option scheme as well as the share award scheme as the incentives to Directors and eligible employees. The emoluments of the Directors are recommended and decided by the remuneration committee and the Board respectively, having regard to the Company's operating results, individual performance and comparable market statistics.

PAYMENT OF INTERIM DIVIDEND

The Board declared payment of an interim dividend of HK\$0.0225 (2020: nil) per ordinary share for the six months ended 30 June 2021. The interim dividend will be paid on or about Thursday, 28 October 2021 to the shareholders whose names appear on the register of members of the Company on Friday, 15 October 2021.

CLOSURE OF REGISTER OF MEMBERS AND OTHER KEY DATES

To determine the shareholders' entitlement to the interim dividend:

Ex-entitlement date for interim dividend	:	Friday, 8 October 2021
Latest time for lodging transfer documents of shares	:	4:30 p.m. on Monday, 11 October 2021
Period of closure of register of members	:	Tuesday, 12 October 2021 to Friday, 15 October 2021 (both days inclusive)
Record date	:	Friday, 15 October 2021

In order to qualify for the interim dividend, all share transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than the latest time for lodging transfer documents of shares set out above.

CORPORATE GOVERNANCE

The Company recognizes 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 and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). During the Period, save as disclosed below, the Company had complied with the code provisions as set out in the CG Code.

Apart from the deviation from code provision A.2.1 of the CG Code that the roles of chairman and chief executive officer of the Company were performed by the same individual, the Company has been in compliance with the code provisions under the CG Code. 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 officer can achieve the goal of improving the Company's efficiency in decision-making and execution and effectively capturing business opportunities. The Board will review the effectiveness of this arrangement from time to time.

The Board will continue to review and monitor the practices of the Company with an aim of maintaining a high standard of corporate governance.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Company's employees who, because of their offices or employments, are likely to possess inside information in relation to the Company and/or its securities.

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

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

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

REVIEW OF FINANCIAL INFORMATION

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

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

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

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

Beijing, PRC, 30 August 2021

As at the date of this announcement, the Board comprises eight Directors, namely Mr. Li Xiangli, Ms. Zhang Aiyong, Mr. Liu Yi and Mr. Yang Rongbing as executive Directors; Mr. Wang Gang as non-executive Director; and Mr. Wang Zichen, Mr. Zhao Hong and Mr. Liu Hoi Keung as independent non-executive Directors.