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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)

CLIMATE CHANGE BUSINESS REVIEW AND UPDATE

Since its establishment, China Leon Inspection Holding Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) have been focused on providing services to global leading players in the natural resources and commodity sector. Key strategic customers of the Group are also core participants in building a clean, low-carbon, safe and efficient energy system. With natural resources and commodity inspection business as the pillars, the Group has successfully captured market opportunities as it developed and grew to promote green, low-carbon and sustainable business development, and set out forward-looking plans to seize the opportunities of national energy structure transition. The Group has always prioritized the “ESG Development Strategy” as its core development focus and realizes it through the three main implementation dimensions of (1) ESG+¹; (2) ESG-Focused²; and (3) ESG-Friendly³. ESG+ business mainly consists of three core business sectors, namely clean energy, environmental protection and climate change, among which the climate change business has achieved remarkable results since its recent launch. Business reviews and updates are set out below:

BUSINESS REVIEW

In November 2021, the Company officially established the Climate Change and Sustainability Division, and expanded its service coverage to the carbon neutrality related fields to provide customers with comprehensive solutions, which primarily include carbon peak and neutrality related advisory services, carbon asset development and trading services, ESG consultancy services, as well as low-carbon information comprehensive solution services, etc. The detailed services include: 1) carbon peak and neutrality advisory technical services: carbon emission check and evaluation, product carbon footprint evaluation, carbon emission reduction target setting and roadmap study, carbon emission management indexing and system construction, low-carbon supply chain management, emission reduction and carbon neutrality planning, carbon neutrality project counseling, green manufacturing

1. ESG+: business which directly and actively contributes to ESG
2. ESG-Focused: strategies that focus on ESG aspects
3. ESG-Friendly: business that is dedicated to complement ESG

technical services, energy management and energy-saving diagnostic technical services, etc.; 2) carbon asset development and trading services: carbon asset evaluation and due diligence, carbon asset development and management, carbon asset value adding management, carbon asset trading, etc.; 3) environmental, social and governance (ESG) consultation technical services: ESG report preparation, ESG strategy formulation and system construction, ESG management enhancement and rating improvement, ESG due diligence, etc.; and 4) low-carbon information comprehensive solution services: customized low-carbon management information system, Software-as-a-Service (SaaS) carbon neutrality management platform, SaaS carbon asset management platform, etc.

The Company successfully supported industry-leading customer to achieve their corporate carbon neutrality targets through its one-stop comprehensive carbon neutrality solution and will continue to work closely with its customers in their journey of sustainable growth and low carbon transition, especially in three key areas, including energy efficiency optimisation, renewable energy transition and residual greenhouse gas emissions compensation. The Company is also committed to assisting them to fully fulfill their corporate social responsibility and become industry leaders in terms of low-carbon and sustainable development. Additionally, to raise the public awareness on emission reduction, carbon neutrality as well as green and low carbon transformation, the Company compiled the Group's first "Global Voluntary Carbon Market Report (全球自願碳市場報告)" to better inform the public of the current development of the global voluntary carbon market, so as to encourage a more positive impact on the long-term sustainable development of the environment and society. Meanwhile, we provided technical consulting services of methane control and emission reduction for China's largest city gas company and provided carbon neutrality technical consulting services for Fortune 500 companies. The Group's international reputation as a world-renowned third party quality assurance service provider had been highly recognised by our leading customers globally.

BUSINESS UPDATES

Consultation on Voluntary Carbon Emission Reduction Project: During the first half of the year, the Company successfully commenced a voluntary carbon emission reduction project consultation and provided technical consulting services for a global leading enterprise. Capitalizing on our core service advantages in the carbon neutrality sector, we provided comprehensive technical support to customers to help them achieve their corporate carbon neutrality goals. We provided technical consultation to our customers for the application and registration in carbon credit projects which are certified under internationally recognized carbon reduction scheme standards, the whole process of which involved project design, evaluation, monitoring, thereby assisted in risk mitigation to ensure successful issuance of carbon credits. The above projects will not only effectively reduce greenhouse gas (GHG) emissions, but will also promote local social and economic development.

First Publication on the Association Standard for Carbon Emission Reduction in Digital Fueling: The Group actively participated in the formulation and revision of standards to fill the void and lead the innovation of the industry. On 28 September, the "Technical Specification for Carbon Emission Reduction Assessment of Digital Fueling Method — Fuel Vehicle" (hereinafter referred to as "**the Standard**"), jointly drafted by Shandong Energy Chain Holdings Co., Ltd.* (山東能鏈控股有限公司), China Beijing

Environmental Exchange Co., Ltd.* (北京綠色交易所有限公司), the Branch of Resource and Environment of the China National Institute of Standardization* (中國標準化研究院資源環境研究分院), China Quality Certification Centre, Green Cycle Committee* under All-China Environment Federation (中華環保聯合會綠色循環普惠委員會), China Automotive Data Co., Ltd. (中汽數據有限公司), Zhongtong Supply Chain Management Co., Ltd.* (中通供應鏈管理有限公司), Shanghai Jidou Technology Co., Ltd.* (上海極豆科技有限公司), Beijing Green Inclusive Network Technology Co., Ltd.* (北京綠普惠網路科技有限公司), China Inspection Energy Chain Technology (Beijing) Co., Ltd.* (中檢能鏈科技(北京)有限公司), Leon Low Carbon Environmental Protection Technology (Beijing) Co., Ltd.* (力鴻低碳環保科技(北京)有限公司) and other organizations, passed the formal review and was published by China Energy and Environmental Service Industry Alliance* (中關村現代能源環境服務產業聯盟). The Standard developed a standardized mathematical model for emission reduction calculation by way of studying the carbon emission reduction of digital fueling, filling the void in the area of carbon emission reduction accounting system for digital fueling. Meanwhile, the Standard will also actively promote the carbon inclusion (碳普惠) and encourage more car owners to reduce carbon emission, so as to facilitate to achieve carbon neutrality goals.

Transportation is one of the major sources of greenhouse gas emissions in China. It is estimated that the annual greenhouse gas emissions of the transportation sector accounted for 12% of the total annual greenhouse gas emissions in China, of which road transport contributed more than 80% of the total emissions of the transportation sector. Data showed that the total lifetime carbon emissions of the automotive industry reached 1.2 billion tonnes in China, 58% of which were contributed by passenger vehicles, while the carbon emission of gasoline passenger vehicles and diesel passenger vehicles were mainly derived from fuel cycle, which accounted for up to 77%. Therefore, promoting energy saving and carbon reduction of fuel vehicles is essential to achieve carbon neutrality goals, and digital technology would play an active role in the process.

Driven by the immense market opportunities brought by carbon neutrality and emission reduction, we, as the leading player in the relevant segments of the industry, will accelerate the application of R&D results in inspection and testing technologies, and continue to empower the industry to achieve eco-friendly and low-carbon transformation. We will continue to work closely with our customers in promoting the green and low-carbon transition and fulfill our social responsibilities.

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

Beijing, PRC, 29 September 2022

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 Aiyang (*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

* *For identification purpose only*