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 2017

FINANCIAL HIGHLIGHTS

- The Group's revenue for the Period amounted to approximately RMB105.9 million, representing an increase of 30.6% from approximately RMB81.1 million for the six months ended 30 June 2016.
- The Group's gross profit for the Period amounted to approximately RMB57.1 million, representing an increase of 37.8% from approximately RMB41.5 million for the six months ended 30 June 2016.
- The Group's net profit for the Period amounted to approximately RMB23.2 million, representing an increase of 130.3% from approximately RMB10.1 million for the six months ended 30 June 2016.

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**" and, together with its subsidiaries, collectively the "**Group**") is pleased to announce the unaudited consolidated financial results of the Group for the six months ended 30 June 2017 (the "**Period**"), together with the comparative figures for the corresponding period in 2016 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*4*	**105,909**	81,070
Cost of sales		**(48,767)**	(39,589)
Gross profit		**57,142**	41,481
Other income and gains	*4*	**661**	1,049
Selling and distribution expenses		**(1,046)**	(971)
Administrative expenses		**(26,351)**	(25,723)
Other expenses		**(1,716)**	(1,716)
Finance costs	*6*	**(185)**	(1,083)
Share of profit of a joint venture		**5**	–
Share of loss of an associate		**(45)**	–
PROFIT BEFORE TAX	*5*	**28,465**	13,037
Income tax expense	*7*	**(5,306)**	(2,981)
PROFIT FOR THE PERIOD		**23,159**	10,056
Attributable to:			
Owners of the parent		**23,068**	10,056
Non-controlling interests		**91**	–
		23,159	10,056
OTHER COMPREHENSIVE (LOSS)/INCOME			
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		**(609)**	29
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**22,550**	10,085
Attributable to:			
Owners of the parent		**22,459**	10,085
Non-controlling interests		**91**	–
		22,550	10,085
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*9*	**RMB5.77 cent**	RMB3.35 cent

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2017

	Notes	**30 June 2017 (Unaudited)** *RMB'000*	31 December 2016 (Audited) *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*10*	**87,843**	59,638
Investment properties	*11*	**21,676**	22,282
Prepaid land lease payments	*12*	**10,248**	10,370
Goodwill		**572**	572
Intangible assets		**777**	820
Investment in a joint venture		**1,512**	1,507
Investment in an associate		**1,505**	–
Deferred tax assets		**1,656**	1,828
Prepayments, deposits and other receivables	*14*	**14,034**	15,112
Total non-current assets		**139,823**	112,129
CURRENT ASSETS			
Trade and bills receivables	*13*	**38,336**	22,059
Prepayments, deposits and other receivables	*14*	**11,037**	9,308
Available-for-sale investments	*15*	**12,000**	9,000
Pledged deposits	*16*	**397**	812
Cash and cash equivalents	*16*	**50,786**	63,450
Total current assets		**112,556**	104,629
CURRENT LIABILITIES			
Trade payables	*17*	**6,110**	4,615
Advance from customers, other payables and accruals	*18*	**30,316**	28,557
Interest-bearing bank loans	*19*	**15,047**	–
Tax payable		**4,474**	226
Total current liabilities		**55,947**	33,398
NET CURRENT ASSETS		**56,609**	71,231
TOTAL ASSETS LESS CURRENT LIABILITIES		**196,432**	183,360

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

30 June 2017

	Note	**30 June 2017 (Unaudited)** *RMB'000*	31 December 2016 (Audited) *RMB'000*
NON-CURRENT LIABILITIES			
Interest-bearing bank loan and other borrowing	*19*	**9,446**	10,000
Interest payable		**–**	1,210
Deferred tax liabilities		**3**	500
Total non-current liabilities		**9,449**	11,710
Net assets		**186,983**	171,650
EQUITY			
Equity attributable to owners of the parent			
Share capital		**131**	131
Reserves		**183,978**	171,519
		184,109	171,650
Non-controlling interests		**2,874**	–
Total equity		**186,983**	171,650

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the parent							
	Share capital (Unaudited) *RMB'000*	*Capital reserve (Unaudited) *RMB'000*	*Statutory reserves (Unaudited) *RMB'000*	*Exchange fluctuation reserve (Unaudited) *RMB'000*	*Retained profits (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*	Non-controlling interests (Unaudited) *RMB'000*	Total equity (Unaudited) *RMB'000*
As at 1 January 2017	**131**	**93,019**	**11,426**	**3,226**	**63,848**	**171,650**	**–**	**171,650**
Profit for the period	**–**	**–**	**–**	**–**	**23,068**	**23,068**	**91**	**23,159**
Other comprehensive loss for the period:								
Exchange differences on translation of foreign operations	**–**	**–**	**–**	**(609)**	**–**	**(609)**	**–**	**(609)**
Total comprehensive income/(loss) for the period	**–**	**–**	**–**	**(609)**	**23,068**	**22,459**	**91**	**22,550**
Final 2016 dividend declared *(note 8)*	**–**	**–**	**–**	**–**	**(10,000))**	**(10,000)**	**–**	**(10,000)**
Capital contributions from non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**2,413**	**2,413**
Acquisition of a subsidiary *(note 20)*	**–**	**–**	**–**	**–**	**–**	**–**	**370**	**370**
As at 30 June 2017	**131**	**93,019**	**11,426**	**2,617**	**76,916**	**184,109**	**2,874**	**186,983**
As at 1 January 2016	65	18,374	8,490	753	33,156	60,838	161	60,999
Profit for the period	–	–	–	–	10,056	10,056	–	10,056
Other comprehensive income for the period:								
Exchange differences on translation of foreign operations	–	–	–	29	–	29	–	29
Total comprehensive income for the period	–	–	–	29	10,056	10,085	–	10,085
As at 30 June 2016	65	18,374	8,490	782	43,212	70,923	161	71,084

* As at 30 June 2017, these reserve accounts comprise the consolidated reserves of RMB183,978,000 (unaudited) (31 December 2016: RMB171,519,000) in the interim condensed consolidated statement of financial position.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
For the six months ended 30 June 2017

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**28,465**	13,037
Adjustments for:			
Share of profit of a joint venture		**(5)**	–
Share of loss of an associate		**45**	–
Finance costs	*6*	**185**	1,083
Depreciation of property, plant and equipment	*5*	**4,241**	3,099
Depreciation of investment properties	*5*	**606**	606
Amortisation of prepaid land lease payments	*5*	**122**	164
Amortisation of intangible assets	*5*	**44**	5
Loss on disposal of items of property, plant and equipment, net	*5*	**18**	–
Gain on disposal of available-for-sale investments	*5*	**(65)**	(201)
Initial public offering related fee		**–**	9,118
Impairment of trade and other receivables	*5*	**358**	47
Impairment of construction in progress	*5*	**–**	1,028
		34,014	27,986
Increase in trade and bills receivables		**(16,475)**	(1,746)
Increase in prepayments, deposits and other receivables		**(2,025)**	(2,063)
Increase in trade payables		**1,495**	7,169
Decrease in advance from customers, other payables and accruals		**(1,594)**	(3,430)
Cash generated from operations		**15,415**	27,916
Income tax paid		**(1,128)**	(4,684)
Net cash flows from operating activities		**14,287**	23,232

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
For the six months ended 30 June 2017

	Notes	For the six months ended 30 June 2017 (Unaudited) RMB'000	2016 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(27,813)**	(8,625)
Payment for intangible assets		**–**	(30)
Proceeds from disposal of items of property, plant and equipment		**262**	–
Purchase of available-for-sale investments		**(41,500)**	(36,500)
Disposal of available-for-sale investments		**38,500**	56,500
Gain on disposal of available-for-sale investments	*5*	**65**	201
Purchase of an interest in a joint venture		**–**	(1,500)
Purchase of an interest in an associate		**(1,550)**	–
Acquisition of a subsidiary, net of cash acquired	*20*	**(498)**	–
Decrease in pledged deposits		**415**	–
Net cash flows (used in)/from investing activities		**(32,119)**	10,046
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of deemed distribution(i)		**–**	(47,877)
Capital contributions from non-controlling shareholders		**2,413**	–
New bank loans		**24,690**	–
Repayment of bank loan and other borrowing		**(10,244)**	(30,000)
Interest paid		**(1,514)**	(609)
Dividend paid		**(10,000)**	–
Payment for initial public offering related fee		**–**	(5,774)
Net cash flows from/(used in) financing activities		**5,345**	(84,260)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(12,487)**	(50,982)
Effect of foreign exchange rate changes, net		**(177)**	29
Cash and cash equivalents at beginning of the period		**63,450**	58,147
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**50,786**	7,194

(i) Pursuant to the reorganisation arrangements prior to the Company's listing on The Stock Exchange of Hong Kong Limited, each of LI Xiangli, ZHANG Aiying, LIU Yi, LI Dexin, ZHANG Jiaqi and Beijing Lihong Cornerstone Investment Co., Ltd. transferred their total equity interests in Beijing Huaxia Lihong Commodity Inspection Co., Ltd. ("**Beijing Huaxia Lihong**") to Huaxia Leon Inspection Limited, the subsidiary held by the Company. The consideration was RMB47,877,000 and settled in January 2016.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 2017

1. CORPORATE AND GROUP INFORMATION

China Leon Inspection Holding Limited (the "Company") is a limited liability company incorporated in the Cayman Islands on 29 July 2015. The registered office of the Company is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company's shares have been listed on The Stock Exchange of Hong Kong Limited from 12 July 2016.

The Company is an investment holding company. During the period, the Company and its subsidiary (collectively referred to as the "Group") are principally engaged in the testing and inspection of coal and coke in the People's Republic of China (the "PRC").

In the opinion of the directors, the Company were under the control of LI Xiangli and ZHANG Aiying. LI Xiangli and ZHANG Aiying are spouses.

2. BASIS OF PREPARATION AND CHANGES TO THE ACCOUNTING POLICIES

2.1 Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2017 have been prepared in accordance with International Accounting Standard ("IASs") 34 Interim Financial Reporting and the disclosure requirements of the Rules Governing the Listing of Securities on the The Stock Exchange of Hong Kong Limited ("Listing Rules").

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The interim condensed consolidated financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 New standards and amendments adopted by the Group

The accounting policies adopted in the preparation of the unaudited interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new amendments to revised International Financial Reporting Standards ("IFRSs") effective as of 1 January 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the effect of these changes are disclosed below. Although these amendments apply for the first time in 2017, they do not have a material impact on the interim condensed consolidated financial statements of the Group. The nature and the impact of each amendment is described below:

Amendments to IAS 7 ***Statement of Cash Flows: Disclosure Initiative***

The amendments require entities to provide disclosures about changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). On initial application of the amendment, entities are not required to provide comparative information for preceding periods. The Group is not required to provide additional disclosures in its interim condensed consolidated financial statements, but will disclose additional information in its annual consolidated financial statements for the year ended 31 December 2017.

Amendments to IAS 12 ***Income Taxes: Recognition of Deferred Tax Assets for Unrecognised Losses***

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. Entities applying this relief must disclose that fact.

The Group applied the amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle – 2014-2016

Amendments to IFRS 12 ***Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12***

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10 – B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The Group has adopted the amendments retrospectively. As the disclosure requirements in IFRS 12 do not specifically apply to the interim condensed consolidated financial statements. The Group will disclose the required information in its annual consolidated financial statements for the year ended 31 December 2017.

3. OPERATING SEGMENT INFORMATION

The Group's revenue and contribution to consolidated results are mainly derived from coal testing and related technical services, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for purposes of resource arrangement and performance assessment. Accordingly, no segment information by profit, asset and liability is presented.

Geographical information

(a) Revenue from external customers

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Mainland China	**105,251**	81,070
Overseas	**658**	–
	105,909	81,070

The revenue information above is based on the locations of the customers.

(b) Non-current assets

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Mainland China	**137,264**	110,301
Overseas	**903**	–
	138,167	110,301

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

For the six months ended 30 June 2017, revenue generated from one of the Group's customers accounting for 10% or more of the Group's total revenue was RMB50,252,000 (for the six months ended 30 June 2016: RMB45,199,000).

4. REVENUE, OTHER INCOME AND GAINS

Revenue comprises the value of services rendered.

An analysis of the Group's revenue, other income and gains is as follows:

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Note	***RMB'000***	*RMB'000*
Revenue			
Testing services		**87,838**	65,119
Surveying services		**14,417**	12,549
Witnessing and ancillary services		**3,654**	3,402
		105,909	81,070
Other income			
Bank interest income		**15**	12
Government grants		**86**	486
Rental income		**282**	330
		383	828
Gains			
Gain on disposal of available-for-sale investments		**65**	201
Gain on acquisition of a subsidiary	*20*	**85**	–
Others		**128**	20
		278	221
		661	1,049

5. PROFIT BEFORE TAX

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

		For the six months ended 30 June	
		2017	2016
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Cost of services provided		**48,767**	39,589
Depreciation of property, plant and equipment	*10*	**4,241**	3,099
Depreciation of investment properties	*11*	**606**	606
Amortisation of prepaid land lease payments	*12*	**122**	164
Amortisation of intangible assets		**44**	5
Research and development costs:			
Current period expenditure		**1,856**	2,155
Minimum lease payments under operating leases:			
Land and buildings		**3,838**	2,932
Employee benefit expenses (including directors' and the chief executive's remuneration):			
Wages and salaries		**28,096**	21,322
Pension scheme contributions		**2,629**	2,010
Welfare and other expenses		**5,726**	4,108
		36,451	27,440
Impairment of trade receivables		**198**	47
Impairment of other receivables		**160**	–
Impairment of construction in progress	*10*	**–**	1,028
Loss on disposals of items of property, plant and equipment, net		**18**	–
Bank interest income		**(15)**	(12)
Gain on disposal of available-for-sale investments		**(65)**	(201)

6. FINANCE COSTS

An analysis of financial costs is as follows:

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Interest on bank loans and an other borrowing wholly repayable within five years	**185**	1,083

7. INCOME TAX

The Company and its subsidiary incorporated in the Cayman Islands or British Virgin Islands are not subject to any income tax pursuant to the local rules and regulations.

The Company's subsidiary incorporated in Hong Kong is subject to income tax at the rate of 16.5% on the estimated assessable profit. No provision for Hong Kong profit tax has been provided as the Group did not generate any assessable profits arising in Hong Kong for the six months ended 30 June 2017 and 2016.

The Company's subsidiaries in mainland China are subject to income tax at a statutory rate of 25% on their respective taxable income, except for Beijing Huaxia Lihong, which has been identified as a "high and new technology enterprise" and was entitled to a preferential income tax rate of 15% for the six months ended 30 June 2017 and 2016.

Taxes on profits assessable elsewhere have been calculated at the rate of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current income tax		
– Mainland China	**5,593**	2,746
– Elsewhere	**38**	–
Deferred	**(325)**	235
Tax charge for the period	**5,306**	2,981

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate is as follows:

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit before tax	**28,465**	13,037
Income tax charge at the statutory income tax rate of 25%	**7,116**	3,259
Effect of different income tax rate for overseas entities	**(44)**	–
Effect of preferential income tax rate	**(2,927)**	(1,536)
Tax losses not recognised	**1,481**	1,655
Tax losses utilised from previous periods	**(316)**	–
Expenses not deductible for tax	**208**	64
Additional tax deduction for research and development expenditure	**(219)**	(269)
Others	**7**	(192)
Tax charge for the period at the effective rate	**5,306**	2,981

8. DIVIDENDS

The proposed final cash dividend of RMB0.025 per share totalling RMB10,000,000 for the year ended 31 December 2016 was approved by the Company's shareholders on 5 May 2017.

The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

9. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 400,000,000 (six months ended 30 June 2016: 300,000,000) in issue during the period.

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2017 and 2016.

The calculations of basic and diluted earnings per share are based on:

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**23,068**	10,056

	Number of shares For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculations	**400,000,000**	300,000,000

10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings (Unaudited) *RMB'000*	Vehicles (Unaudited) *RMB'000*	Electronic equipment and others (Unaudited) *RMB'000*	Construction in progress (Unaudited) *RMB'000*	Leasehold improvements (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
30 June 2017						
At 1 January 2017:						
Costs	**22,553**	**21,372**	**23,016**	**18,978**	**4,370**	**90,289**
Accumulated depreciation	**(788)**	**(15,228)**	**(12,043)**	**–**	**(1,564)**	**(29,623)**
Impairment	**–**	**–**	**–**	**(1,028)**	**–**	**(1,028)**
Net carrying amount	**21,765**	**6,144**	**10,973**	**17,950**	**2,806**	**59,638**
At 1 January 2017, net of accumulated depreciation and impairment	**21,765**	**6,144**	**10,973**	**17,950**	**2,806**	**59,638**
Additions	**–**	**788**	**5,470**	**25,868**	**–**	**32,126**
Transfers	**12,683**	**–**	**105**	**(12,905)**	**117**	**–**
Acquisition of a subsidiary *(note 20)*	**–**	**118**	**528**	**–**	**–**	**646**
Disposals	**–**	**(34)**	**(245)**	**–**	**–**	**(279)**
Depreciation provided during the period *(note 5)*	**(636)**	**(1,229)**	**(1,872)**	**–**	**(504)**	**(4,241)**
Exchange realignment	**–**	**(9)**	**(38)**	**–**	**–**	**(47)**
At 30 June 2017, net of accumulated depreciation and impairment	**33,812**	**5,778**	**14,921**	**30,913**	**2,419**	**87,843**
At 30 June 2017:						
Costs	**35,236**	**21,609**	**29,453**	**31,941**	**3,837**	**122,076**
Accumulated depreciation	**(1,424)**	**(15,831)**	**(14,532)**	**–**	**(1,418)**	**(33,205)**
Impairment	**–**	**–**	**–**	**(1,028)**	**–**	**(1,028)**
Net carrying amount	**33,812**	**5,778**	**14,921**	**30,913**	**2,419**	**87,843**

During the six months ended 30 June 2017, the Group purchased a building from an independent third party with a cash consideration of RMB19,394,000. The building was pledged by this third party for certain propose before the transaction of purchase. As at 30 June 2017, the building was under decoration with a carrying amount of approximately RMB19,972,000. The pledge has not been released as of the date of this interim condensed financial statements.

	Land and buildings (Unaudited) *RMB'000*	Vehicles (Unaudited) *RMB'000*	Electronic equipment and others (Unaudited) *RMB'000*	Construction in progress (Unaudited) *RMB'000*	Leasehold improvements (Unaudited) *RMB'000*	Total (Unaudited) *RMB'000*
30 June 2016						
At 1 January 2016:						
Costs	2,472	18,682	17,865	17,915	2,517	59,451
Accumulated depreciation	(532)	(12,815)	(9,683)	–	(966)	(23,996)
Net carrying amount	1,940	5,867	8,182	17,915	1,551	35,455
At 1 January 2016, net of accumulated depreciation	1,940	5,867	8,182	17,915	1,551	35,455
Additions	–	407	904	6,379	–	7,690
Transfers	–	–	–	(80)	80	–
Depreciation provided during the period *(note 5)*	(59)	(1,309)	(1,388)	–	(343)	(3,099)
Impairment *(note 5)*	–	–	–	(1,028)	–	(1,028)
At 30 June 2016, net of accumulated depreciation and impairment	1,881	4,965	7,698	23,186	1,288	39,018
At 30 June 2016:						
Costs	2,472	19,089	18,769	24,214	2,597	67,141
Accumulated depreciation	(591)	(14,124)	(11,071)	–	(1,309)	(27,095)
Impairment	–	–	–	(1,028)	–	(1,028)
Net carrying amount	1,881	4,965	7,698	23,186	1,288	39,018

The carrying amount of a construction in progress exceeded its recoverable amount of RMB1,028,000 as at 30 June 2016. An impairment loss of RMB1,028,000 was recognised during the six months ended 30 June 2017 and 2016.

11. INVESTMENT PROPERTIES

	As at 30 June 2017 (Unaudited) *RMB'000*	As at 30 June 2016 (Unaudited) *RMB'000*
Cost:		
At beginning and end of the period	**25,513**	25,513
Accumulated depreciation:		
At beginning of the period	**(3,231)**	(2,020)
Depreciation charge for the period *(note 5)*	**(606)**	(606)
At end of the period	**(3,837)**	(2,626)
Net carrying amount:		
At beginning of the period	**22,282**	23,493
At end of the period	**21,676**	22,887

At 30 June 2017, the Group's investment properties with a carrying value of RMB21,676,000 were pledged to secure an interest-bearing bank loan amounting to RMB15,000,000 *(note 19)*.

12. PREPAID LAND LEASE PAYMENTS

	As at 30 June 2017 (Unaudited) *RMB'000*	As at 30 June 2016 (Unaudited) *RMB'000*
Carrying amount at beginning of the period	**10,608**	10,894
Amortisation for the period *(note 5)*	**(122)**	(164)
Carrying amount at end of the period	**10,486**	10,730
Current portion included in prepayments, deposits and other receivables *(note 14)*	**(238)**	(322)
Non-current portion	**10,248**	10,408

13. TRADE AND BILLS RECEIVABLES

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
	RMB'000	*RMB'000*
Trade and bills receivables	**39,351**	22,876
Impairment	**(1,015)**	(817)
	38,336	22,059

The Group's trading terms with its customers are mainly on credit. The credit period is generally 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 receivables are non-interest-bearing.

An aged analysis of trade and bills receivables, based on the invoice date and net of provisions, is as follows:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
	RMB'000	*RMB'000*
Within 3 months	**33,586**	20,390
3 to 6 months	**3,729**	990
6 months to 1 year	**1,015**	539
Over 1 year	**6**	140
	38,336	22,059

The amount due from the Group's joint venture included in the trade and bills receivables is as follows:

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
	RMB'000	*RMB'000*
Joint venture	**657**	–

The above amount was unsecured and non-interest-bearing.

14. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 30 June 2017 (Unaudited) ***RMB'000***	As at 31 December 2016 (Audited) *RMB'000*
Prepaid land lease payments *(note 12)*	**238**	238
Prepayments	**20,106**	20,638
Deposits and other receivables	**4,887**	3,544
Provision for impairment of other receivables	**(160)**	–
	25,071	24,420
Portion classified as non-current assets	**(14,034)**	(15,112)
	11,037	9,308

The amount due from the Group's associate included in other receivables is as follows:

	As at 30 June 2017 (Unaudited) ***RMB'000***	As at 31 December 2016 (Audited) *RMB'000*
Associate	**219**	–

The above amount was unsecured and non-interest-bearing.

15. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 June 2017 (Unaudited) ***RMB'000***	As at 31 December 2016 (Audited) *RMB'000*
Bank financial products, at fair value	**12,000**	9,000

The available-for-sale investments stated at fair value represented financial products issued by banks. The fair values of available-for-sale investments have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

16. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	As at 30 June 2017 (Unaudited) *RMB'000*	As at 31 December 2016 (Audited) *RMB'000*
Cash and bank balances	**50,786**	63,450
Time deposits	**397**	812
	51,183	64,262
Less: Time deposits pledged for construction in the process	**(397)**	(812)
Cash and cash equivalents	**50,786**	63,450

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

17. TRADE PAYABLES

An aged analysis of the trade payables based on the invoice date is as follows:

	As at 30 June 2017 (Unaudited) *RMB'000*	As at 31 December 2016 (Audited) *RMB'000*
Within 3 months	**6,039**	4,487
3 to 6 months	**–**	59
6 months to 1 year	**5**	–
1 to 2 years	**–**	7
2 to 3 years	**66**	59
Over 3 years	**–**	3
	6,110	4,615

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

The amount due to the Group's joint venture included in the trade payables is as follows:

	As at 30 June 2017 (Unaudited) *RMB'000*	As at 31 December 2016 (Audited) *RMB'000*
Joint venture	**77**	326

The above balance was unsecured and non-interest-bearing.

18. ADVANCE FROM CUSTOMERS, OTHER PAYABLES AND ACCRUALS

	As at 30 June 2017 (Unaudited) ***RMB'000***	As at 31 December 2016 (Audited) *RMB'000*
Advance from customers	**1,048**	526
Accrued salaries, wages and benefits	**10,373**	12,185
Other taxes payable	**429**	491
Payable to vendors of plant, property and equipment	**16,337**	13,089
Others	**2,129**	2,266
	30,316	28,557

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

19. INTEREST-BEARING BANK LOANS AND OTHER BORROWING

	As at 30 June 2017 (Unaudited) ***RMB'000***	As at 31 December 2016 (Audited) *RMB'000*
Current		
Short-term bank loans		
– Secured	**15,000**	–
– Unsecured	**47**	–
	15,047	–
Non-current		
Long-term bank loan and an other borrowing		
– Secured	**9,446**	–
– Unsecured	**–**	10,000
	9,446	10,000
	24,493	10,000
Interest-bearing bank and other borrowings are denominated in:		
– RMB	**24,446**	10,000
– INR	**47**	–
	24,493	10,000

The Group's short-term bank loan amounting to RMB15,000,000 as at 30 June 2017 was guaranteed by mortgage over the Group's investment properties with a carrying value of RMB21,676,000 as at 30 June 2017.

The Group's long-term bank loan amounting to RMB9,446,000 as at 30 June 2017 was guaranteed by LI Xiangli and ZHANG Aiying.

The Group's other borrowing amounting to RMB10,000,000 as at 31 December 2016 was a loan from an independent third party and was repaid during the six months ended 30 June 2017.

20. BUSINESS COMBINATION

On 4 April 2017, Leon Overseas PTE. LTD., an indirectly non-wholly-owned subsidiary of the Company, acquired a total of 80% equity interest in Nutech Surveyors & Analysts Private Limited from K. S. Parthasarathi and S. Kalyani, two independence third parties, at an aggregate consideration of US$203,000 (equivalent to approximately RMB1,394,000).

The fair values of the identifiable assets and liabilities of Nutech Surveyors & Analysts Private Limited as at the date of acquisition were as follows:

	Notes	**4 April 2017 (Unaudited)** *RMB'000*
Property, plant and equipment	*10*	**646**
Trade receivables		**405**
Prepayments, deposits and other receivables		**309**
Cash and cash equivalents		**896**
Trade payables		**(18)**
Other payables, advance from customer and accruals		**(149)**
Interest-bearing bank loan		**(56)**
Tax payable		**(181)**
Deferred tax liabilities		**(3)**
Total identifiable net assets at fair value		**1,849**
Non-controlling interests		**(370)**
		1,479
Gain on acquisition of a subsidiary	*4*	**(85)**
Total consideration		**1,394**
Satisfied by cash		**1,394**

An analysis of the cash flows in respect of the acquisition of the subsidiary is as follow:

	For the six months ended 30 June 2017 (Unaudited) *RMB'000*
Cash and cash equivalents acquired	**896**
Cash consideration	**(1,394)**
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	**(498)**

From the date of acquisition to 30 June 2017, the acquired companies contributed approximately RMB658,000 to the Group's revenue and approximately RMB92,000 to the Group's profit.

Had the acquisition taken place at the beginning of the period, the revenue of the Group and the profit after tax of the Group for the six months ended 30 June 2017 would have been RMB106,432,000 and RMB23,196,000, respectively.

21. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 11 to the financial statements) under operating lease arrangements, with leases negotiated for a term of three or four years.

As at 30 June 2017 and 31 December 2016, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2017 (Unaudited) ***RMB'000***	As at 31 December 2016 (Audited) *RMB'000*
Within one year	**466**	519
In the second to fifth years, inclusive	**266**	470
	732	989

(b) As lessee

The Group leases certain of its office premise, plant and warehouses under operating lease arrangements. Leases of the properties are negotiated for terms ranging from one year to ten years.

As at 30 June 2017 and 31 December 2016, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2017 (Unaudited) ***RMB'000***	As at 31 December 2016 (Audited) *RMB'000*
Within one year	**5,663**	5,795
In the second to fifth years, inclusive	**13,608**	15,187
Beyond five years	**2,037**	2,733
	21,308	23,715

22. COMMITMENTS

In addition to the operating lease commitments detailed in note 21(b) above, the Group had the following capital commitments at the end of the reporting periods:

	As at 30 June 2017 (Unaudited) ***RMB'000***	As at 31 December 2016 (Audited) *RMB'000*
Contracted, but not provided for:		
Property, plant and equipment and land use rights	**12,978**	18,845

23. RELATED PARTY TRANSACTIONS

(a) Transaction with related parties during the period:

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Provision of testing service by a joint venture	**350**	–
Provision of technical services by an associate	**517**	–
Provision of testing service to a joint venture	**620**	–

In the opinion of the directors, the transactions between the Group and the related parties were based on prices mutually agreed between the parties and conducted in the ordinary course of business.

(b) Guarantee with related parties:

The Group's long-term bank loan amounting to RMB9,446,000 as at 30 June 2017 was guaranteed by LI Xiangli and ZHANG Aiying.

(c) Compensation of key management personnel of the Group:

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Short-term employee benefits	**3,734**	1,819
Pension scheme contributions	**132**	140
	3,866	1,959

24. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows:

Financial assets

	As at 30 June 2017	As at 31 December 2016
	(Unaudited)	(Audited)
	RMB'000	*RMB'000*
Loans and receivables:		
Trade and bills receivables	**38,336**	22,059
Financial assets included in prepayments, deposits and other receivables	**4,727**	3,544
Pledged deposits	**397**	812
Cash and cash equivalents	**50,786**	63,450
Available-for-sale financial assets:		
Available-for-sale investments	**12,000**	9,000
	106,246	98,865

Financial liabilities

	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)
	RMB'000	*RMB'000*
Financial liabilities at amortised cost:		
Trade payables	**6,110**	4,615
Financial liabilities included in advance from customers, other payables and accruals	**18,466**	15,355
Interest-bearing bank loans and other borrowing	**24,493**	10,000
Interest payable	**–**	1,210
	49,069	31,180

25. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying Amounts		**Fair Values**	
	As at 30 June 2017 (Unaudited)	As at 31 December 2016 (Audited)	**As at 30 June 2017 (Unaudited)**	As at 31 December 2016 (Audited)
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Financial assets				
Available-for-sale investments	**12,000**	9,000	**12,000**	9,000
Financial liabilities				
Interest-bearing bank loans and other borrowing	**24,493**	10,000	**24,493**	10,000
Interest payable	**–**	1,210	**–**	1,210
	24,493	11,210	**24,493**	11,210

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade and bills receivables, financial assets included in prepayments, deposits and other receivables, trade payables and financial liabilities included in advance from customers, other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. At end of the reporting periods, the finance department analysed the movements in the values of financial instruments and determined the major inputs applied in the valuation.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were estimated the fair value:

The fair values of interest-bearing bank loans and other borrowing and interest payable have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for interest-bearing bank loans and other borrowing and interest payable at 30 June 2017 was assessed to be insignificant.

The available-for-sale investments stated at fair value at the end of the reporting periods represented financial products issued by banks. The fair values of the available-for-sale investments have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) *RMB'000*	**Significant observable inputs (Level 2) (Unaudited)** *RMB'000*	**Significant unobservable inputs (Level 3) (Unaudited)** *RMB'000*	**Total (Unaudited)** *RMB'000*
Available-for-sale investments	**–**	**12,000**	**–**	**12,000**

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited) *RMB'000*	Significant observable inputs (Level 2) (Audited) *RMB'000*	Significant unobservable inputs (Level 3) (Audited) *RMB'000*	Total (Audited) *RMB'000*
Available-for-sale investments	–	9,000	–	9,000

Liabilities for which fair value are disclosed

As at 30 June 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Unaudited) ***RMB'000***	**Significant observable inputs (Level 2) (Unaudited)** ***RMB'000***	**Significant unobservable inputs (Level 3) (Unaudited)** ***RMB'000***	**Total (Unaudited)** ***RMB'000***
Interest-bearing bank loans	**–**	**24,493**	**–**	**24,493**

As at 31 December 2016

	Fair value measurement using			
	Quoted prices in active markets (Level 1) (Audited) *RMB'000*	Significant observable inputs (Level 2) (Audited) *RMB'000*	Significant unobservable inputs (Level 3) (Audited) *RMB'000*	Total (Audited) *RMB'000*
Interest-bearing other borrowing	–	10,000	–	10,000
Interest payable	–	1,210	–	1,210
	–	11,210	–	11,210

26. EVENT AFTER THE REPORTING PERIOD

On 4 July 2017, the Company granted share options to certain employees of the Group under the share option scheme adopted by the Company on 5 May 2017, to subscribe for a total of 8,000,000 ordinary shares of HK$0.00005 each in the share capital of the Company, representing 2% of the issued share capital of the Company.

27. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements were approved and authorised for issue by the board of directors on 25 August 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Market Review

Policies adopted by the Chinese government in 2016 on supply-side reform and de-capacity of the coal industry continued to be implemented, achieving remarkable results. The coal price rallied drastically in 2016, and stabilized to date. Transactions in the domestic coal market became more active, while the Chinese government imposed more stringent regulation over the quality of coal and pollution control. We believe the coal testing and inspection industry is well-position for strong growth.

In the first half of 2017, both the trade volume and price of coal rose, driving the Company's steep revenue growth. During the Period, our revenue and gross profit were RMB105.9 million and RMB57.1 million, respectively, representing an increase of 30.6% and 37.8% over the corresponding period last year, respectively. The overall gross profit margin during the Period was 54.0%, slightly higher than 51.2% for the same period last year.

During the Period, we stepped up our efforts in market development as per the established corporate strategy, upgrading the nine service centers in Mainland China on an ongoing basis while setting up four new service centres abroad, thereby further completing our service network. Currently, the overseas service centres are under construction. Meanwhile, we increased our investment in R&D and made steady progress. We believe the Company's strategic planning will reinforce our market leading position and help us cope with challenges both at home and abroad.

Business Strategies and Future Outlook

Given coal's long-term dominant position in China's energy structure, the coal testing and inspection industry also has steady growth potentials. Only a moderate portion of coal is currently subject to independent testing and inspection. In the long run, benefiting from the further liberalization of coal trade, the coal subject to testing and inspection may potentially account for close to the entirety of the coal for consumption. In international markets, coal is also an important energy. So far, the Company has established overseas service centres in Singapore, Indonesia, Malaysia, and India (all four overseas service centres are under construction) through new construction as well as acquisition. We believe the establishment of overseas service centres will enhance our brand recognition internationally, increase our overseas revenue, and set us off on our march to the international market.

Further solidify our leadership in coal testing and inspection industry

We believe that coal testing and inspection are our core competency. We intend to continue to solidify our leadership in this industry by (1) upgrading and expanding our network of service centres, (2) strengthening our research and development capabilities to improve our testing procedures and laboratorial capabilities, and (3) consolidating China's coal testing and inspection market through selecting acquisitions.

We intend to enlarge our core competency by identifying and capturing new growth opportunities in the coal testing and inspection market. As our services are being offered primarily to seaborne coal trade through the four major coal-trade ports in north China, which include Qinhuangdao port, Tangshan port, Huanghua port and Tianjin port, we plan to expand our testing services to inland coal trade, a market largely untapped by independent assurance providers. Through our long-term stable business relationship with large coal miners and power generators, we are able to capture and compile comprehensive data relating to quality testing results in our in-house information system. We will also adapt our in-house information system to interact with our customers' systems and facilitate our provision of comprehensive quality management services spanning the entire coal distribution chain. As we will build our management services upon our strong testing capabilities, we believe we are well positioned to leverage our established brand recognition and quality control measures to launch these new services.

Upgrade and expand our network of service centers

To improve our service capabilities and to accommodate increased business volume domestically, we intend to upgrade some of our laboratorial facilities at our existing service centers located in Northern China. Our expansion plans will further strengthen our market shares locally by allowing us to better market our service capabilities through site tours and provide improved customer experience.

Our current service centers cover primarily major seaports for coal trade in China. As our operation continues to grow, we also plan to expand our service network to other regions that are strategically important to China's seaborne coal trade, including certain key seaports located in Shandong province (north) and Fujian province (south). As we further penetrate the coal testing and inspection market for coal transported via rail or truck, we expect to set up new service centers at strategically-located rail interchanges that are critical for inland coal trade. Our geographic expansion plans reflect our commitment to providing convenient access to our services by locating the nearest full-service testing facilities. An expanded network coverage of key seaports and rail interchanges will allow us to develop and provide comprehensive quality control services spanning the entire coal distribution chain.

Outside China, we are selectively opening service facilities to provide coal testing services in countries with abundant coal export and import volume which represent large potential markets for us. Currently the Company is vigorously constructing these four overseas service centres. In future, we intend to establish our presence in those countries and obtain more shares of business of clients from these countries in China by leveraging our integrated service capabilities. We will also upgrade our in-house information infrastructure to interconnect our overseas service facilities and allow seamless exchange of information and expertise, creating an integrated network to serve the domestic and cross-border flows of coal.

Further strengthen our research and development efforts

We believe that technical improvements are critical to our service offerings and our ability to compete effectively in a concentrated market, and are therefore dedicated to deploying adequate resources to advance our research and development efforts. Automation is a principal focus of our research and development efforts. We plan to strengthen our internal research as well as collaboration with third-party institutions to develop automated service process, which will allow us to significantly reduce labor costs, minimize human error and improve efficiency for our services. We also plan to develop and upgrade our in-house technology infrastructure to support our new business offerings, including comprehensive quality control services. Combined with our customers' systems, the upgraded technology infrastructure will capture and compile the test results from our complete service sessions, and enable us to manage holistically the coal quality over a stipulated period of time.

Pursue strategic acquisition or investment to enhance our service capabilities and expand our service coverage

We have built our business so far primarily through organic growth. There are still significant acquisition or investment opportunities in the coal testing and inspection market. Among these opportunities, we are focused on service capabilities or coverage that would enhance or complement our core service offerings. The key criteria we apply in selecting acquisition or investment targets include primarily their market size, customer base, technical capabilities and management team. We will not only consider independent assurance providers like us but also suitable assurance providers affiliated with coal miners or consumers. We believe that strategic acquisition or investment allows us to enlarge our technician base and laboratory size to support our growing business volume cost-effectively.

We will also consider targets in other testing markets, including fuel, mineral and chemical products, if their growth prospects and profitability are sufficiently attractive. Benefiting from our stringent quality control and standardized operational measures, we believe that acquisition of or investment in testing businesses on other products will create synergy. We believe our investment will further expand our service scope in the future.

Financial Review

Overview

	For the six months ended 30 June		
	2017	2016	Change
	(Unaudited)	(Unaudited)	
	RMB'000	*RMB'000*	
Revenue	**105,909**	81,070	30.6%
Gross Profit	**57,142**	41,481	37.8%
Profit before tax	**28,465**	13,037	118.3%
Profit for the Period	**23,159**	10,056	130.3%

Revenue

The Group's revenue increased by 30.6% from approximately RMB81.1 million for the six months ended 30 June 2016 to approximately RMB105.9 million for the Period. The increase is mainly contributed by an increase in business volume through open tender or private negotiation. The table below set forth the revenue breakdown for each of our service offerings.

	For the six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Testing services	**87,838**	65,119
Surveying services	**14,417**	12,549
Witnessing and ancillary services	**3,654**	3,402
Others	**–**	–
	105,909	81,070

Cost of Sales

The Group's cost of sales increased by 23.2% from approximately RMB39.6 million for the six months ended 30 June 2016 to approximately RMB48.8 million for the Period, representing 48.8% and 46.0% of the Group's revenue for the same periods, respectively. The increase in the Group's cost of sales was primarily attributable to higher port charges and labor costs, generally consistent with the growth of the Group's business.

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 37.8% from approximately RMB41.5 million for the six months ended 30 June 2016 to approximately RMB57.1 million for the Period. The gross profit margin increased from 51.2% for the six months ended 30 June 2016 to 54.0% for the Period, which was primarily attributable to significant increase in revenue resulting from an increased business volume, leading to scale effects.

Selling and Distribution Expenses

The Group's selling and distribution expenses for the six months ended 30 June 2016 and the Period were both approximately RMB1.0 million, indicating the Group had stable selling and distribution expenses.

Administrative Expenses

The Group's administrative expenses increased from approximately RMB25.7 million for the six months ended 30 June 2016 to approximately RMB26.4 million for the Period. The Group's administrative expenses was flat compared to the same period last year, which was mainly due to the fact that initial public offering related fee for the same period last year was offset by the increase in remuneration costs, increase in the rent of office space, and depreciation of newly-added housing and properties.

Other Expenses

The Group recorded other expenses of approximately RMB1.7 million for both of the six months ended 30 June 2016 and the Period. The Group's other expenses were primarily attributable to (1) the receivables and the impairment of the value of construction in progress; and (2) the depreciation of the investment properties.

Finance Costs

The Group recorded a finance cost of RMB1.1 million and RMB0.2 million for the six months ended 30 June 2016 and the Period,respectively, representing a decrease of 82.9%, because the Group fully repaid the borrowings in March 2017, and no finance costs were incurred by the new interest-bearing bank loans for the Period.

Income Tax Expense

During the Period, income tax expense amounted to approximately RMB5.3 million, increasing by approximately RMB2.3 million as compared with approximately RMB3.0 million for the corresponding period last year, as a result of the increased profit before tax.

Net Profit

The Group's net profit increased by 130.3% from approximately RMB10.1 million for the six months ended 30 June 2016 to approximately RMB23.2 million in the Period, mainly attributable to significant increase in gross profit, insubstantial increase in administrative expenses and related costs and improvement of per capita effectiveness.

Property, Plant and Equipment

Property, plant and equipment consist primarily of buildings, vehicles, equipment and construction in progress. The Group had property, plant and equipment of RMB59.6 million and RMB87.8 million as at 31 December 2016 and 30 June 2017, respectively. The increase as at 30 June 2017 was primarily due to the further development of the Group's construction in progress.

Investment Properties

Investment properties consist of a commercial property in Beijing, which was originally purchased at RMB25.5 million in April 2014. The investment properties of the Group had a carrying amount of RMB22.3 million and RMB21.7 million as at 31 December 2016 and 30 June 2017, respectively.

Trade and Bills Receivables

The Group's trade and bills receivables primarily represented amounts and bills receivables from its customers for its services provided in the ordinary course of business. As at 31 December 2016 and 30 June 2017, the Group had trade and bills receivables of approximately RMB22.1 million and RMB38.3 million, respectively. Such increase in receivables as at 30 June 2017 was mainly attributable to the increase of inspection business volume of the Group and slow collection from certain customers as the contracts were being renewed.

Prepayments, Deposits and Other Receivables

The Group's prepayments, deposits and other receivables primarily represent rental payments, value-added tax, prepayment for construction in process, and deposits paid to enter open tender process and land auction process. The current portion of the Group's prepayments, deposits and other receivables increased by approximately RMB1.7 million from approximately RMB9.3 million as at 31 December 2016 to approximately RMB11.0 million as at 30 June 2017, primarily due to the increased open tender deposits and reserve funds. The non-current portion of the Group's prepayments, deposits and other receivables decreased from approximately RMB15.1 million as at 31 December 2016 to approximately RMB14.0 million as at 30 June 2017, the main cause of which was that prepayment of RMB8.7 million arising from newly acquired property was offset by transfer RMB9.2 million from prepayment for purchasing property to construction in progress during the Period.

Available-For-Sale Investments

The Group's available-for-sale investments primarily represent low-risk financial products purchased from commercial banks using its cash on hand. As at 31 December 2016 and 30 June 2017, the fair value of our available-for-sale investments reached RMB9.0 million and RMB12.0 million, respectively. The increase in the Group's available-for-sale investments as at 30 June 2017 was because the Group utilized idle funds to purchase certain financial products.

Cash and Cash Equivalents

The Group's cash and cash equivalents consist primarily of cash and bank balances denominated in RMB. As at 31 December 2016 and 30 June 2017, the Group's cash and cash equivalents were RMB63.5 million and RMB50.8 million, respectively. The decrease in the Group's cash and cash equivalents as at 30 June 2017 was primarily attributable to (1) dividend distribution of RMB10.9 million; (2) repayment of borrowings and interest of RMB11.8 million; and (3) purchase of property, plant and equipment of RMB27.8 million, partially offset by (1) net cash inflows from operating activities of RMB14.3 million; and (2) new bank loans of RMB24.7 million.

Trade Payables

The Group's trade payables primarily represent amounts payable for port charges. As at 31 December 2016 and 30 June 2017, the Group had trade payables of approximately RMB4.6 million and RMB6.1 million, respectively. The increase in the Group's trade payables as at 30 June 2017 was primarily attributable to the increased port charges of the Group driven by a higher inspection business volume.

Advance from Customers, Other Payables and Accruals

The Group's advance from customers, other payables and accruals primarily represent advance from customers, accrued salaries, wages and benefits, other taxes payable and other payables. As at 31 December 2016 and 30 June 2017, the Group had advance from customers, other payables and accruals of RMB28.6 million and RMB30.3 million. As at 30 June 2017, the increase in the Group's advance from customers, other payables and accruals was attributable to the increase in the tax payable and other payables of the Group.

Interest-bearing Bank Loans

The Group had interest-bearing bank loans of nil and RMB24.5 million as at 31 December 2016 and 30 June 2017, respectively. The increase in the Group's interest-bearing bank loans was due to the attainment of a secured short-term loan from a commercial bank in the amount of RMB15.0 million and the bank loan arising from purchase of properties in the amount of RMB9.4 million in June 2017.

Interest-bearing Other Borrowing

As at 30 June 2017, the Group had no interest-bearing other borrowing, because the Group's other borrowing amounting to RMB10.0 million as at 31 December 2016 was repaid during the Period.

Liquidity and Capital Resources

The Group had cash and cash equivalents of RMB50.8 million as at 30 June 2017. The Group is in a strong and healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures.

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 in light of 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.

We have a prudent treasury operation to manage our investments in financial products. We only invest in low risk financial instruments from reputable commercial banks that can be redeemed on a same-day basis or otherwise within a short notice period, including primarily bank-sponsored wealth management products, such as bonds, money market funds and interbank deposits. We purchase and redeem financial products multiple times over the course of a year as and when needed to meet our real-time funding requirements, as a result of which our cash flows related to the purchase and disposal of financial products were significantly higher than the year-end balance amounts.

Cash Flows from Operating Activities

The Group had net cash flows from operating activities of approximately RMB23.2 million and RMB14.3 million for the six months ended 30 June 2016 and the Period, respectively. The decrease in the Group's cash flows from operating activities was primarily due to our slow collection of receivables during the first half of 2017.

Cash Flows from Financing Activities

The Group had net cash outflows and net cash inflows from financing activities of approximately RMB84.3 million and RMB5.3 million for the six months ended 30 June 2016 and the Period, respectively. The cash flows from financing activities of the Group changed to net inflows, which was primarily due to (1) cash payment to shareholders of approximately RMB47.9 million with respect to reorganization through initial public offering and repayment of bank loans of RMB30.0

million for the six months ended 30 June 2016, leading to significant net cash outflows from financing activities of the Group for the six months ended 30 June 2016; (2) attainment of new bank loans of RMB24.7 million for the Period; (3) attainment of capital contributions from non-controlling shareholders of RMB2.4 million, partially offset by (1) dividend distribution of RMB10.0 million; and (2) repayment of borrowings and interest of RMB11.8 million.

Commitments

As at 30 June 2017, the Group had a total capital commitment of approximately RMB13.0 million for contracted but not performed acquisition of property, plant and equipment and land use rights.

Contingent Liabilities

As at 30 June 2017, 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 debt divided by total equity and multiplied by 100.0%. Total debt is calculated as "interest-bearing bank loan" plus "interest-bearing other borrowing" as shown in the interim condensed consolidated statement of financial position. Total capital is calculated as "total equity" as shown in the interim condensed consolidated statement of financial position.

	2017 **30 June** ***RMB'000***	2016 31 December *RMB'000*
Total debt	**24,493**	10,000
Total equity	**186,983**	171,650
Gearing Ratio	**13.1%**	5.8%

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, available-for-sale financial instruments 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.

Exchange Risk

The exposure of our Group to foreign exchange risk was minimal during the Period and hence the Group did not hedge against any fluctuation in foreign currency during the Period.

Significant Investments

The Group did not have any significant investments during the Period.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the Period, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

Charges on Assets

As at 30 June 2017, the Group's short-term bank loan amounting to RMB15.0 million was secured by the Group's investment properties. In addition, the Group purchased a building from an independent third party with a cash consideration of RMB19,394,000 during the Period. The building was pledged by this third party before the purchase. As at 30 June 2017, the pledge had not been released by this third party (As at 31 December 2016: no assets were charged).

HUMAN RESOURCES

As at 30 June 2017, the Group had 727 employees 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. We are subject to social insurance contribution plans organized by PRC local governments. In accordance with the relevant national and local social welfare and housing reserve fund laws and regulations, we are required to pay, on behalf of our employees, monthly social insurance premiums covering basic pension insurance, basic medical insurance, unemployment insurance, employment injury insurance, maternity insurance and housing reserve fund.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (For the six months ended 30 June 2016: Nil).

CORPORATE GOVERNANCE PRACTICES

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 ("**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**") as its own code to govern its corporate governance practices. During the Period, save as disclosed below, the Company has complied with all applicable code provisions 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 all the code provisions under the CG Code. In the opinion of the Directors, through supervision by the Board and the independent non-executive Directors, 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. Many leading international corporations also have similar arrangements.

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 ("**Model Code**") as its own code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of their office or employment, are likely to possess inside information in relation to the Company or its securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Period.

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

Neither the Company nor any of its subsidiaries had 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 ("**Audit Committee**") in compliance with Rule 3.21 of the Listing Rules. The Audit Committee comprises three members, namely Mr. Yang Rong bing (Chairman), Mr Wang Zichen and Mr. Zhao Hong.

The Audit Committee has discussed with the management and external auditor and reviewed the unaudited interim financial information 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.huaxialihong.com. The interim report of the Company for the Period containing all the information required by the Listing Rules will be dispatched to shareholders and published on the above websites in due course.

On behalf of the Board
China Leon Inspection Holding Limited
Li Xiangli
Chairman

Beijing, PRC, 25 August 2017

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