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 2019

FINANCIAL HIGHLIGHTS

- The Group's revenue for the Period amounted to approximately RMB171.8 million, representing an increase of 68.7% from approximately RMB101.9 million for the six months ended 30 June 2018.

- The Group's gross profit for the Period amounted to approximately RMB81.3 million, representing an increase of 49.9% from approximately RMB54.2 million for the six months ended 30 June 2018.

- The Group's net profit for the Period amounted to approximately RMB12.7 million, representing an increase of 73.4% from approximately RMB7.4 million for the six months ended 30 June 2018.

The board (the "**Board**") of directors (the "**Directors**") of China Leon Inspection Holding Limited (the "**Company**" or "China Leon" and, together with its subsidiaries, collectively the "**Group**") is pleased to announce the unaudited consolidated financial results of the Group for the six months ended 30 June 2019 (the "**Period**"), together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended	
		30 June 2019	30 June 2018
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**171,847**	101,895
Cost of sales		**(90,578)**	(47,696)
Gross profit		**81,269**	54,199
Other income and gains		**1,903**	1,352
Selling and distribution costs		**(7,975)**	(1,946)
Administrative expenses		**(49,338)**	(39,227)
Other expenses		**(1,998)**	(1,440)
Finance costs		**(3,312)**	(590)
Share of results of an associate		**(652)**	(209)
Profit before taxation	*4*	**19,897**	12,139
Taxation	*5*	**(7,151)**	(4,787)
Profit for the period		**12,746**	7,352
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		**1,043**	457
Other comprehensive income		**1,043**	457
Total comprehensive income for the period		**13,789**	7,809

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*
For the six months ended 30 June 2019

	Notes	Six months ended 30 June 2019 (Unaudited) RMB'000	30 June 2018 (Unaudited) RMB'000
Profit (loss) for the period attributable to:			
Owners of the Company		**13,350**	11,435
Non-controlling interests		**(604)**	(4,083)
		12,746	7,352
Total comprehensive income (expense) for the period attributable to:			
Owners of the Company		**14,393**	11,892
Non-controlling interests		**(604)**	(4,083)
		13,789	7,809
EARNINGS PER SHARE	*7*		
Basic		**RMB3.34 cents**	RMB2.86 cents
Diluted		**RMB3.34 cents**	RMB2.85 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	30 June 2019 (Unaudited) RMB'000	31 December 2018 (Audited) RMB'000
Non-current assets			
Property, plant and equipment		**120,967**	118,676
Investment properties		**20,080**	20,717
Right-of-use assets		**36,394**	–
Prepaid land lease payments		**–**	5,954
Goodwill		**15,211**	3,129
Intangible assets		**4,441**	4,425
Investment in an associate		**2,837**	3,489
Equity investment designated at fair value through other comprehensive income		**3,000**	3,000
Deferred tax assets		**50**	815
Prepayments, deposits and other receivables		**6,469**	6,614
		209,449	166,819
Current assets			
Trade and bills receivables	*8*	**82,212**	42,263
Prepayments, deposits and other receivables		**11,160**	15,524
Financial assets at fair value through profit or loss		**3,082**	27,000
Pledged deposits		**–**	400
Cash and cash equivalents		**84,626**	76,848
		181,080	162,035
Current liabilities			
Trade payables	*9*	**36,584**	12,293
Contract liabilities		**2,511**	2,379
Other payables and accruals	*9*	**26,203**	35,383
Lease liabilities		**11,377**	–
Borrowings		**72,911**	62,881
Tax payable		**677**	3,253
Interest payables		**1,837**	1,472
		152,100	117,661
Net current assets		**28,980**	44,374
Total assets less current liabilities		**238,429**	211,193

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2019

	30 June 2019 (Unaudited)	31 December 2018 (Audited)
	RMB'000	*RMB'000*
Capital and reserves		
Share capital	**131**	131
Reserves	**213,820**	201,753
Equity attributable to owners of the Company	**213,951**	201,884
Non-controlling interests	**(5,497)**	(4,893)
Total equity	**208,454**	196,991
Non-current liabilities		
Borrowings	**10,111**	13,204
Lease liabilities	**19,423**	–
Deferred tax liabilities	**214**	741
Interest payables	**227**	257
	29,975	14,202
	238,429	211,193

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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 changes in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements:

IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle

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

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to IFRSs *(Continued)*

Impacts and changes in accounting policies of application on IFRS 16 "Leases"

The Group has applied IFRS 16 for the first time in the current interim period. IFRS 16 superseded IAS 17 Leases ("**IAS 17**"), and the related interpretations.

Transition and summary of effects arising from initial application of IFRS 16

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 5%.

	RMB'000
Operating lease commitments disclosed as at 31 December 2018	21,167
Lease liabilities discounted at relevant incremental borrowing rates and relating to operating leases recognised upon application of IFRS 16 as at 1 January 2019	20,159
Analysed as	
Current	7,562
Non-current	12,597
	20,159

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to IFRSs *(Continued)*

Impacts and changes in accounting policies of application on IFRS 16 "Leases" *(Continued)*

Transition and summary of effects arising from initial application of IFRS 16 (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprised the following:

	Right-of-use assets *RMB'000*
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	20,159
Reclassified from prepaid lease payments	6,192
	26,351
By class:	
Leasehold lands	6,192
Buildings	20,159
	26,351

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Application of new and amendments to IFRSs *(Continued)*

Impacts and changes in accounting policies of application on IFRS 16 "Leases" *(Continued)*

Transition and summary of effects arising from initial application of IFRS 16 (Continued)

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under IFRS 16 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current Assets			
Right-of-use assets	–	26,351	26,351
Prepaid land lease payments	5,954	(5,954)	–
Current Assets			
Prepayments, deposits and other receivables			
– Prepaid land lease payments	238	(238)	–
Current Liabilities			
Lease liabilities	–	7,562	7,562
Non-current liabilities			
Lease liabilities	–	12,597	12,597

3. REVENUE FROM CONTRACTS WITH CUSTOMERS

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	Six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Type of service		
Testing services	**106,647**	84,306
Surveying services	**54,748**	13,289
Witnessing and ancillary services	**10,452**	4,300
Total	**171,847**	101,895
Geographical markets		
Mainland China	**114,396**	92,266
Overseas	**57,451**	9,629
Total	**171,847**	101,895
Timing of revenue recognition		
A point in time	**171,847**	101,895
Total	**171,847**	101,895

4. PROFIT BEFORE TAXATION

	Six months ended	
	30 June 2019	30 June 2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit before tax has been arrived after charging (crediting):		
Depreciation of property, plant and equipment	**8,303**	5,291
Depreciation of investment properties	**637**	637
Amortisation of prepaid land lease payments	**–**	122
Amortisation of intangible assets	**347**	44
Research and development costs:		
Current period expenditure	**4,239**	2,965
Minimum lease payments under operating leases:		
Land and buildings	**1,807**	3,283
Employee benefit expenses (including directors' and the chief executive's remuneration):		
Directors' emoluments	**2,200**	2,098
Salaries and other allowances	**53,998**	46,165
Equity-settled share-based expenses	**674**	521
	56,872	48,784
Impairment loss of trade receivables	**146**	193
Gain on disposals of items of property, plant and equipment, net	**(12)**	(119)
Bank interest income	**(220)**	(27)
Gain on disposal of bank financial products	**(421)**	(307)

5. TAXATION

	30 June 2019	30 June 2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current tax		
PRC Enterprise Income Tax	**7,151**	4,599
Deferred	**–**	188
	7,151	4,787

6. DIVIDENDS

The proposed final cash dividend of RMB0.0075 per share totalling RMB3,000,000 for the year ended 31 December 2018 was approved by the Company's shareholders on 17 May 2019. The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2019 (six months ended 30 June 2018: Nil).

7. 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 2019	30 June 2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit for the attributable purpose of basic and diluted earnings per share	**13,350**	11,435
Number of shares		
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**400,000**	400,000
Effect of dilutive potential ordinary shares:		
– Share options	**237**	561
Weighted average number of shares for the purpose of diluted earnings per share	**400,237**	400,561

7. EARNINGS PER SHARE *(Continued)*

For the six months ended 30 June 2019, 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 2019.

8. TRADE AND BILLS RECEIVABLES

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Trade receivables		
Trade and bills receivables	**83,714**	43,619
Less: Loss allowance	**(1,502)**	(1,356)
	82,212	42,263

The Group allows an average credit period of 90 days to its trade customers.

The aged analysis of the Group's trade receivables based on invoice dates at the end of the reporting period, which approximated the respective revenue recognition dates, is as follows:

	30 June 2019 (Unaudited) *RMB'000*	31 December 2018 (Audited) *RMB'000*
Within 3 months	**66,270**	34,312
3 to 6 months	**9,665**	4,953
6 months to 1 year	**4,557**	2,374
1 to 2 years	**1,720**	613
Over 2 years	**–**	11
	82,212	42,263

8. TRADE AND BILLS RECEIVABLES *(Continued)*

The movements in the loss allowance for impairment of trade receivables are as follows:

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
At beginning of the period/year	**1,356**	331
Impairment losses, net	**146**	529
Acquisition of subsidiary	**–**	496
	1,502	1,356

9. TRADE PAYABLES AND OTHER PAYABLES AND ACCRUALS

The following is an analysis of trade payables, presented based on the invoice date.

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
Trade payables:		
Within 3 months	**29,406**	11,620
3 to 6 months	**6,405**	438
6 months to 1 year	**773**	51
1 to 2 years	**–**	125
Over 2 years	**–**	59
	36,584	12,293

9. TRADE PAYABLES AND OTHER PAYABLES AND ACCRUALS *(Continued)*

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
Other payables and accruals:		
Accrued salaries, wages and benefits	**15,532**	14,932
Other taxes payable	**–**	707
Payable to vendors of property, plant and equipment	**4,129**	14,815
Others	**6,542**	4,929
	26,203	35,383

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

The amount due to the Group's associate included in other payables and accruals is as follows:

	30 June 2019 (Unaudited) ***RMB'000***	31 December 2018 (Audited) *RMB'000*
Leon Intelligence & Information (Beijing) Technology Co., Ltd.	**–**	1,850

The above amount is unsecured, non-interesting-bearing and has no fixed terms of settlement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Market Review

The global TIC market exceeded Euro 200 billion and the market of the TIC industry in China in 2018 was RMB281.1 billion according to the information provided by the Certification and Accreditation Administration of the People's Republic of China ("**PRC**" or "**China**").

From 2013 to 2018, the CAGR of China's TIC industry was 15%, which displayed a year-by-year accelerating trend. Considering that the TIC industry spread across every field of the national economic activities in the downstream areas, the overall demand was less affected by a single downstream area, and resistance to cyclical fluctuations was strong. In the past five years, the annual minimum growth rate was higher than 10%.

While the overseas TIC industry was relatively mature, the TIC industry in China was still in the midst of rapid development. In 2018, the industry's growth rate reached 18%. The industry will continue to benefit from the promotion of consumption upgrade and the tightening of government regulation in the future.

(Information Sources: the Certification and Accreditation Administration of the People's Republic of China, CICC Research Division)

In the first half of 2019, the traditional business of China Leon achieved stable growth, and the development of the new testing business was successful.

In April, China Leon successfully won the bid for PowerChina Resources Limited's 2×660MW coal-fired power plant project in Port Qasim, Pakistan and has become the only independent inspection service provider for such project. The successful bidding not only demonstrated that China Leon has won wide attention and recognition of the industry, but also revealed the Company's comprehensive strength. China Leon corresponded with the country's "Belt & Road Initiative" strategic plan and laid a solid foundation for the Company to expand into the South Asia market.

In May, Leon Overseas Pte. Ltd., a subsidiary of China Leon, purchased the entire issued share capital of the target company, Saybolt (Singapore) Pte Ltd.. Such acquisition represented a good opportunity for the Group to expand its services to cover laboratory testing and inspection of bulk cargoes of oil, gas, chemicals and bunkers in Singapore, Malaysia, Indonesia and the surrounding territory, and could bring a synergy to the Group's related business divisions in reducing costs and establish a firm base for the Group in expanding its global customer service network. The network layout of the cross-product-line testing business in Asia-Pacific region was initially completed.

In June, China Leon successfully won the bid for the overseas supervision business of 大唐香港. Through implementing full supervision on the loading-and-unloading vessels of imported coal and the inspection process, customers can have real-time control on the transportation and inspection status of imported coal, thereby avoiding their unnecessary losses. Such measure not only expanded the overseas business of China Leon, but also provided security for coal users.

Consolidating our scientific research and innovation achievements

To improve our service capabilities and to gain technology leadership domestically, we applied our automated scientific research results to existing service centers and planned to optimize and upgrade our laboratorial facilities at our major domestic service centers. In response to customer requests, we started conducting encryption from the sampling site, and decrypted such sampling data after obtaining the laboratory results. We expanded the blind sample scope for sampling data in the internal management process and adopted a more refined management in order to provide a better customer experience. Continuous technical improvements are critical to gaining competitive advantages in the market, we will therefore continue to deploy adequate resources to advance our research and development, strengthen our internal research and development capabilities and increase our promotion and application of scientific research results and information management system.

Innovative testing and inspection service model

We rapidly entered into new regional markets by introducing outstanding personnel and teams or partners, expanding our development potential and cooperating through investment holding. Providing customers with comprehensive quality management services that cover the whole supply chain is one of our future goals which we are striving to attain. We believe that such new business model is consistent with the national strategy of "high-quality development" in China and has huge growth potential in the future. The Company will become an international, diversified and technology-advanced third-party quality assurance service provider.

Financial Review

Overview

	For the six months ended 30 June		
	2019	2018	Change
	(Unaudited)	(Unaudited)	
	RMB'000	*RMB'000*	
Revenue	**171,847**	101,895	68.7%
Gross profit	**81,269**	54,199	49.9%
Profit before tax	**19,897**	12,139	63.9%
Profit for the Period	**12,746**	7,352	73.4%

Revenue

The Group's revenue increased by 68.7% from approximately RMB101.9 million for the six months ended 30 June 2018 to approximately RMB171.8 million for the Period. The increase is mainly due to a combination of steady growth in traditional coal inspection business and successful deployment of Group's strategy in developing new inspection business focused on petroleum and oil industry. The table below sets forth the revenue breakdown of each of our service offerings.

	For the six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Testing services	**106,647**	84,306
Surveying services	**54,748**	13,289
Witnessing and ancillary services	**10,452**	4,300
	171,847	101,895

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 49.9% from approximately RMB54.2 million for the six months ended 30 June 2018 to approximately RMB81.3 million for the Period. The gross profit margin decreased from 53.2% for the six months ended 30 June 2018 to 47.3% for the Period. Such decrease was due to lower gross margin from business generated by the Group's overseas subsidiaries.

Selling, Distribution and Administrative Expenses

The Group's selling, distribution and administrative expenses increased from approximately RMB41.2 million for the six months ended 30 June 2018 to approximately RMB57.3 million for the Period, which was mainly due to (1) a rise in selling and administrative costs from overseas acquisitions of petroleum and oil inspection business; (2) an increase in research and development expenditure; and (3) higher depreciation of properties, plant and equipment incurred at overseas subsidiaries.

Finance Costs

The Group recorded a finance cost of approximately RMB0.6 million and RMB3.3 million for the six months ended 30 June 2018 and the Period, respectively, representing an increase of 461.4%, as a result of finance costs incurred by an interest-bearing Secured Guaranteed Note which was issued by the Group in the second half of 2018.

Profit for the Period

The Group's profit for the Period increased by 73.4% from approximately RMB7.4 million for the six months ended 30 June 2018 to approximately RMB12.7 million in the Period. Such increase was mainly attributable to a significant rise in overall business volume as the Group's two-pronged strategy in growing its global footprint in traditional business and expanding its presence in new inspection business through acquisitions starts to bear fruit.

Goodwill

The Group's goodwill represents the excess of fair value of consideration paid by the Group over the net fair value of acquisition target's identifiable assets and liabilities measured at acquisition date. As at 30 June 2019 and 31 December 2018, the Group had goodwill of approximately RMB15.2 million and RMB3.1 million, respectively. The increase arose mainly from a new overseas acquisition by the Group in May 2019 of an inspection business focused on petroleum and oil industry as part of the Group's effort to expand its service offerings.

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 2018 and 30 June 2019, the Group had trade and bills receivables of approximately RMB42.3 million and RMB82.2 million, respectively. Such increase in receivables as at 30 June 2019 was mainly attributable to a significant increase in scale of business compared to the same period last year.

Trade Payables

The Group's trade payables primarily represent amounts payable for port charges, franchise fees and third-party inspection work. As at 31 December 2018 and 30 June 2019, the Group had trade payables of approximately RMB12.3 million and RMB36.6 million, respectively. The increase in the Group's trade payables as at 30 June 2019 was primarily attributable to a significant increase in scale of business compared to the same period last year.

Liquidity and Capital Resources

The Group had cash and cash equivalents of RMB84.6 million as at 30 June 2019. The Group is in a strong and healthy financial position and has enough 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 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.

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 period-end balance amounts.

Contingent Liabilities

As at 30 June 2019, 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 "borrowings" 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.

	2019	2018
	30 June	31 December
	RMB'000	*RMB'000*
Total debt	**83,022**	76,085
Total equity	**208,454**	196,991
Gearing Ratio	**39.8%**	38.6%

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 to the carrying amounts of these assets.

Exchange Risk

The Group was exposed to foreign currency risk on cash and cash equivalents, receivables, payables and borrowings that were denominated in a currency other than respective functional currencies of the Group's entities. The currencies giving rise to this risk were primarily Hong Kong dollar and United States dollar.

Significant Investments

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

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 8 May 2019, Leon Overseas Pte. Ltd., a subsidiary of the Group, entered into a Sales and Purchase Agreement with Saybolt Holding BV to purchase the entire share capital of Saybolt (Singapore) Pte. Ltd. at a consideration of US$3.75 million. The acquisition was completed on 15 May 2019 and with effective from this date, the financial results of Saybolt (Singapore) Pte. Ltd. were consolidated into the accounts of the Group. The Directors believed that the acquisition was a good opportunity to expand the Group's service offerings into petroleum and oil industry in South East Asia as part of the Group's business and geographical diversification strategy.

HUMAN RESOURCES

As at 30 June 2019, the Group had 1,260 employees (For the six months ended 30 June 2018: 841) 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 and the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. 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 2018: Nil).

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 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 interim condensed consolidated 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.huaxialihong.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 (the "**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, 23 August 2019

As at the date of this announcement, the Board comprises eight Directors, namely Mr. Li Xiangli, Ms. Zhang Aiying, 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.