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 2020

FINANCIAL HIGHLIGHTS

- The Group's revenue for the Period amounted to approximately RMB242.1 million, representing an increase of 40.9% from approximately RMB171.8 million for the six months ended 30 June 2019.

- The Group's profit for the Period amounted to approximately RMB31.7 million, representing an increase of 148.5% from approximately RMB12.7 million for the six months ended 30 June 2019.

- Earnings per share (basic and diluted) attributable to ordinary equity holders for the Period amounted to RMB5.32 cents, representing an increase of 59.3% from RMB3.34 cents for the six months ended 30 June 2019.

The board (the "**Board**") of directors (the "**Directors**") of China Leon Inspection Holding Limited (the "**Company**" or "**China Leon**" and, together with its subsidiaries, collectively the "**Group**") is pleased to announce the unaudited condensed consolidated financial results of the Group for the six months ended 30 June 2020 (the "**Period**"), together with the comparative figures for the corresponding period in 2019 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		Six months ended	
		30 June 2020	30 June 2019
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
REVENUE	*3*	**242,089**	171,847
Cost of sales		**(138,464)**	(90,578)
Gross profit		**103,625**	81,269
Other income and gains	*4*	**3,341**	1,903
Selling and distribution expenses		**(6,464)**	(7,975)
Administrative expenses		**(52,532)**	(49,145)
Impairment losses under expected credit loss model, net		**(1,142)**	(193)
Other expenses		**(5,206)**	(1,998)
Finance costs		**(2,770)**	(3,312)
Share of results of an associate		**–**	(652)
PROFIT BEFORE TAX	*5*	**38,852**	19,897
Taxation	*6*	**(7,182)**	(7,151)
PROFIT FOR THE PERIOD		**31,670**	12,746
Attributable to:			
Owners of the Company		**21,264**	13,350
Non-controlling interests		**10,406**	(604)
		31,670	12,746

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

For the six months ended 30 June 2020

		Six months ended	
		30 June 2020	30 June 2019
		(Unaudited)	(Unaudited)
	Notes	***RMB'000***	*RMB'000*
Other comprehensive income, net of tax			
Item that will not be reclassified to profit or loss:			
Fair value loss on investment in equity instrument at fair value through other comprehensive income		**(402)**	–
Items that may be reclassified to profit or loss in subsequent period:			
Exchange difference on translation of foreign operations		**(2,418)**	1,043
OTHER COMPREHENSIVE (EXPENSE) INCOME FOR THE PERIOD, NET OF TAX		**(2,820)**	1,043
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**28,850**	13,789
Attributable to:			
Owners of the Company		**17,977**	14,393
Non-controlling interests		**10,873**	(604)
		28,850	13,789
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY *(cents)*			
Basic and diluted	*8*	**5.32**	3.34

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	**30 June 2020 (Unaudited) *RMB'000***	31 December 2019 (Audited) *RMB'000*
Assets			
Non-current assets			
Property, plant and equipment		**141,199**	140,444
Right-of-use assets		**29,403**	37,140
Investment properties		**18,806**	19,443
Goodwill		**18,125**	18,445
Intangible assets		**3,437**	3,807
Investment in an associate		**–**	–
Equity investment designated at fair value through other comprehensive income		**410**	812
Deferred tax assets		**296**	296
Prepayments, other receivables and other assets		**4,889**	5,803
		216,565	226,190
Current assets			
Trade and bills receivables	*9*	**105,943**	94,703
Prepayments, other receivables and other assets		**16,890**	16,761
Financial assets at fair value through profit or loss		**–**	–
Pledged deposits		**808**	823
Cash and cash equivalents		**107,833**	76,008
		231,474	188,295
Total assets		**448,039**	414,485
Current liabilities			
Trade payables	*10*	**47,319**	45,456
Contract liabilities		**3,959**	3,384
Other payables and accruals	*10*	**42,967**	41,814
Lease liabilities		**9,064**	13,682
Interest-bearing bank loans and other borrowings		**60,728**	55,134
Tax payable		**4,389**	1,492
Interest payable		**1,051**	1,006
		169,477	161,968
Net current assets		**61,997**	26,327
Total assets less current liabilities		**278,562**	252,517

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

As at 30 June 2020

	Notes	**30 June 2020 (Unaudited) *RMB'000***	31 December 2019 (Audited) *RMB'000*
Non-current liabilities			
Interest-bearing bank loans and other borrowings		**8,139**	8,139
Lease liabilities		**14,781**	17,948
Deferred tax liabilities		**5,158**	5,160
		28,078	31,247
Net assets		**250,484**	221,270
Equity attributed to owners of the Company			
Share capital		**131**	131
Reserves		**241,163**	222,822
		241,294	222,953
Non-controlling interests		**9,190**	(1,683)
Total equity		**250,484**	221,270

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2020

1. BASIS OF PREPARATION

The unaudited 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 unaudited 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 unaudited condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

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 2020 for the preparation of the Group's unaudited condensed consolidated financial statements:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the new and amendments to IFRSs in the current period has 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 unaudited condensed consolidated financial statements.

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 2020	30 June 2019
Segments	**(Unaudited)**	(Unaudited)
	RMB'000	*RMB'000*
Type of services		
Testing services	**157,593**	106,647
Surveying services	**78,310**	54,748
Witnessing and ancillary services	**6,186**	10,452
Total	**242,089**	171,847
Geographical markets		
Greater China	**148,061**	114,396
Overseas	**94,028**	57,451
Total	**242,089**	171,847
Timing of revenue recognition		
A point in time	**242,089**	171,847
Total	**242,089**	171,847

4. OTHER INCOME AND GAINS

	Six months ended	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Other income		
Bank interest income	**35**	220
Tax refund	**629**	—
Government subsidies	**672**	—
Rental income	**1,005**	928
	2,341	1,148
Other gains and losses		
Change in fair value of financial assets at fair value through profit or loss	**90**	421
Gain (loss) on foreign exchange difference	**489**	—
Gain (loss) on disposal of items of property, plant and equipment, net	**(97)**	12
Others	**518**	322
	1,000	755
	3,341	1,903

5. PROFIT BEFORE TAXATION

	Six months ended	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit before tax has been arrived after charging (crediting):		
Depreciation of property, plant and equipment	**12,679**	8,303
Depreciation of investment properties	**637**	637
Depreciation of right-of-use assets	**7,460**	–
Amortisation of intangible assets	**379**	347
Research and development costs:		
Current period expenditure	**5,162**	4,239
Minimum lease payments under operating leases:		
Land and buildings	**–**	1,807
Employee benefit expenses (including directors' and the chief executive's remuneration):		
Directors' emoluments	**2,252**	2,200
Salaries and other allowances	**98,040**	53,998
Equity-settled share-based expenses	**364**	674
	100,656	56,872
Impairment loss of trade receivables, net	**946**	146
Loss/(gain) on disposals of items of property, plant and equipment, net	**97**	(12)
Bank interest income	**(35)**	(220)
Change in fair value of financial assets at fair value through profit or loss	**(90)**	(421)

6. TAXATION

	Six months ended	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current income tax		
— Greater China	**4,561**	7,151
— Overseas	**2,621**	–
	7,182	7,151

7. DIVIDENDS

The proposed final cash dividend of RMB0.0375 per share totalling RMB15,000,000 for the year ended 31 December 2019 was approved by the Company's shareholders on 16 June 2020. The board of directors of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended	
	30 June 2020	30 June 2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit for the Period attributable to owners of the Company, for the purpose of basic and diluted earnings per share calculations	**21,264**	13,350
Number of shares		
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share calculations	**400,000**	400,000
Effect of dilutive potential ordinary shares:		
– Share options	**—**	237
Weighted average number of shares for the purpose of diluted earnings per share calculations	**400,000**	400,237

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

9. TRADE AND BILLS RECEIVABLES

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Trade receivables		
Trade and bills receivables	**109,351**	97,165
Less: Loss allowance	**(3,408)**	(2,462)
	105,943	94,703

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

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

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Within 3 months	**85,327**	77,024
3 to 6 months	**12,984**	10,026
6 months to 1 year	**7,632**	4,336
1 to 2 years	**–**	3,317
	105,943	94,703

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

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
At beginning of the period/year	**2,462**	1,356
Impairment losses, net	**946**	1,106
	3,408	2,462

10. TRADE PAYABLES AND OTHER PAYABLES AND ACCRUALS

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

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Trade payables:		
Within 3 months	**37,911**	38,310
3 to 6 months	**6,090**	5,770
6 months to 1 year	**2,750**	1,154
1 to 2 years	**568**	222
	47,319	45,456

	30 June 2020 (Unaudited) *RMB'000*	31 December 2019 (Audited) *RMB'000*
Other payables and accruals:		
Accrued salaries, wages and benefits	**20,601**	20,032
Other taxes payable	**688**	850
Payable to vendors of property, plant and equipment	**4,410**	4,511
Others	**17,268**	16,421
	42,967	41,814

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

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Market Review

We are pleased to announce the excellent results of our Group for the first half of 2020. Our Group's total revenue increased to RMB242.1 million, and profit for the Period reached a record high of RMB31.7 million, exceeding even whole of last year 2019's profit. We have achieved a remarkable growth rate of 40.9% in revenue and 148.5% in profit for the Period. The strong growth is delivered by our core business segments in energy and commodity inspection services from the Asia Pacific region. The strategic investments we have made in the last two years and the organic growth from our traditional business lines have both contributed to the successful results of the Period.

In the first half of 2020, we increased our efforts in a set of new strategic goals in R&D, ERP systems, marketing, advanced cost control measures, staff training and employee incentive scheme. The whole range of new strategic initiatives have put us in a strong position as we enter the new economic era deeply impacted by the global pandemic and political tensions between China and US. The combination of our strategic measures will also allow us to maintain our leading position as well as continue to deliver strong growth in our core business markets, and hence creating long-term value for our employees, customers, shareholders and society at large. Our continued investment in R&D and ERP systems during the first six month of 2020 included the integration of multiple business information systems across laboratory operations, finance, HR and robotic operations which have helped the Group to efficiently maintain productivity and control costs amid temporary lock-downs and business disruptions during the Period.

The digitalization of the global economy will continue to accelerate in the new normal environment amid worldwide pandemic. This trend will also reshape the TIC industry. In order to ensure our long term competitive advantage, we will continue to implement sustainable growth strategies, and focus on performance optimization across all business functions. Future organic growth will be driven by our continuous investments in further integration of our ERP systems and enhancement of robotic operations. The TIC industry provides essential professional services to all industries and businesses, hence we play an important role in the modern society. Going forward, we are committed to build our brand based on our ethical business principles of integrity, fairness, quality and professionalism. We strive to continuously create value and increase returns for our shareholders through the combination of our high standard of corporate governance and the professional expertise of our colleagues. Finally, we would like to take this opportunity to thank our shareholders for their support and our colleagues for their devotion and hard work.

Financial Review

Overview

	For the six months ended 30 June		
	2020	2019	Change
	(Unaudited)	(Unaudited)	
	RMB'000	*RMB'000*	
Revenue	**242,089**	171,847	40.9%
Gross profit	**103,625**	81,269	27.5%
Profit before tax	**38,852**	19,897	95.3%
Profit for the Period	**31,670**	12,746	148.5%

Revenue

The Group's revenue increased by 40.9% from approximately RMB171.8 million for the six months ended 30 June 2019 to approximately RMB242.1 million for the Period. The increase was mainly fueled by strong growth of our core business in energy and commodity inspection services from the Asia Pacific region. The table below sets forth the revenue breakdown of each of our service offerings.

	For the six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Testing services	**157,593**	106,647
Surveying services	**78,310**	54,748
Witnessing and ancillary services	**6,186**	10,452
	242,089	171,847

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 27.5% from approximately RMB81.3 million for the six months ended 30 June 2019 to approximately RMB103.6 million for the Period. The gross profit margin decreased from 47.3% for the six months ended 30 June 2019 to 42.8% for the Period. Such decrease was due to lower gross margin from business generated by the Group's overseas operations.

Selling, Distribution and Administrative Expenses

The Group's selling, distribution and administrative expenses increased from approximately RMB57.1 million for the six months ended 30 June 2019 to approximately RMB59.0 million for the Period, which was mainly due to an increase in scale of business compared to the same period last year.

Finance Costs

The Group recorded a finance cost of approximately RMB3.3 million and RMB2.8 million for the six months ended 30 June 2019 and the Period, respectively, representing a decrease of 16.4%, primarily as a result of partial redemption of Secured Guaranteed Note by the Group in the second half of 2019, which led to lower borrowing costs thereafter.

Profit for the Period

The Group's profit for the Period increased by 148.5% from approximately RMB12.7 million for the six months ended 30 June 2019 to approximately RMB31.7 million in the Period. Such increase was mainly attributable to (1) greater economy of scale as overall business volume grew and (2) better cost control and higher operating efficiency achieved from the Group's successful adoption of performance optimization measures.

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 2019 and 30 June 2020, the Group had trade and bills receivables of approximately RMB94.7 million and RMB105.9 million, respectively. Such increase in receivables as at 30 June 2020 was mainly attributable to a rise in overall business volume during the Period.

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 2019 and 30 June 2020, the Group had trade payables of approximately RMB45.5 million and RMB47.3 million, respectively. The increase in the Group's trade payables as at 30 June 2020 was primarily attributable to a rise in overall business volume during the Period.

Liquidity and Capital Resources

The Group had cash and cash equivalents of RMB107.8 million as at 30 June 2020. The Group is in a strong and healthy financial position and has enough resources to support its operations and meet its foreseeable capital expenditure.

Treasury Management and Funding Policy

The primary objectives of our capital management are to safeguard our ability to continue as a going concern and to maintain healthy capital ratios to support our business and maximize our shareholders' value. We manage and adjust our capital structure considering changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust our capital structure, we may adjust dividend payments to shareholders, return capital to shareholders or raise funds through issuing new equity.

Contingent Liabilities

As at 30 June 2020, 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.

	2020	2019
	30 June	31 December
	RMB'000	*RMB'000*
Total debt	**68,867**	63,273
Total equity	**250,484**	221,270
Gearing Ratio	**27.5%**	28.6%

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

During the period ended 30 June 2020, the Group did not have any material acquisitions and disposals of subsidiaries and associated companies.

SUBSEQUENT EVENT AFTER THE PERIOD

Release of the Pledge of Shares by the Controlling Shareholders, Loan Agreement with Covenant Relating to Specific Performance of the Controlling Shareholders and Redemption of Note

As disclosed in the Company's announcement of 30 August 2018, on 30 August 2018, the Company and Wan Tai Investments Limited ("**Wan Tai**", an indirect wholly-owned subsidiary of CCBI International (Holdings) Limited), among others, entered into a subscription agreement (the "**Subscription Agreement**"), pursuant to which, the Company conditionally agreed to issue a secured guaranteed note (the "**Note**") with an aggregate principal amount of HK$68,000,000 with interest rate of 10% per annum to Wan Tai, and Wan Tai conditionally agreed to subscribe for the Note from the Company.

Subject to the satisfaction of certain conditions precedents, the Company agreed to issue to Wan Tai by way of private placement, and Wan Tai agreed to subscribe for the Note from the Company, in the principal amount up to HK$68,000,000, which will mature on the maturity date (the "**Maturity Date**"), being the first anniversary of the issue date (the "**Issue Date**", which is a date within five business days after the conditions precedent having satisfied or waived, or such other date as the Company and Wan Tai may agree in writing).

Subject to the prior written approval by the holder of the Note, the Company may, on the anniversary of the Issue Date, request extension of the Maturity Date to no later than the second anniversary or the third anniversary, as the case may be, of the Issue Date. As disclosed in the Company's 2019 Annual Report, the Maturity Date has been extended to 28 September 2020.

The Note shall bear interest on its outstanding principal amount from the Issue Date to the Maturity Date, at the rate of 10% per annum, due and payable in arrear every six months by the Company from the Issue Date.

To secure the indebtedness and liabilities of the Company to Wan Tai under the Note, each of Leon Cornerstone Investment Holding Limited, Hawk Flying Investment Holding Limited and Swan Stone Investment Holding Limited (collectively, the "**Controlling Shareholders**") charged 26,090,000 shares of the Company (the "**Shares**"), 35,550,000 Shares and 49,290,000 Shares, respectively, on an aggregate basis being 110,930,000 Shares representing approximately 27.73% of the total issued share capital of the Company as at 30 August 2018, in favour of Wan Tai (the "**Charge**").

For so long as the Note remains outstanding, if the collateral coverage ratio (the "**Collateral Coverage Ratio**", as defined in the announcement of the Company dated 30 August 2018) falls below 2.0, each of the Controlling Shareholders agrees and undertakes to charge additional Shares in favour of Wan Tai so that the Collateral Coverage Ratio will increase to no less than 2.5.

In addition to the aforementioned share charges, each of Mr. LI Xiangli ("**Mr. Li**") and Ms. ZHANG Aiying ("**Ms. Zhang**") provides personal guarantee in favour of Wan Tai in respect of the obligations of the Company, the Controlling Shareholders, Mr. Li and Ms. Zhang under the transaction documents (the "**Transaction Documents**", as defined in the announcement of the Company dated 30 August 2018).

Pursuant to the Transaction Documents, each of the Controlling Shareholders undertakes to Wan Tai that, among others, (a) Mr. Li shall remain as a Director, an executive Director and the chairman of the Board; or (b) unless with the prior written consent of Wan Tai, the aggregate number of the charged Shares shall at all times be not less than 110,930,000 (the "**Undertakings**").

On 21 July 2020, the principal, together with the interest, were fully repaid by the Company to Wan Tai. The Charge was released accordingly on 14 August 2020. The Undertakings ceased after the Note has been redeemed and all the secured obligations in the Transaction Documents have been fully paid, performed or discharged to the satisfaction of Wan Tai.

HUMAN RESOURCES

As at 30 June 2020, the Group had 1,500 employees (For the six months ended 30 June 2019: 1,260) in total. The Group's employee compensation includes base salary, bonuses and cash subsidies. In general, the Group determines employee compensation based on each employee's performance, qualifications, position and seniority. Other agreed employee benefits includes pension scheme, medical insurance, on-job training, education subsidy and other social security and paid leaves stipulated under the relevant jurisdiction of places of operation.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (For the six months ended 30 June 2019: 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 and/or its securities.

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

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

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

REVIEW OF FINANCIAL INFORMATION

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

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

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This results announcement is published on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk and on the website of the Company at www.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 and published on the above websites in due course.

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

Beijing, PRC, 28 August 2020

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.