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

2016
Interim Report

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Definitions

In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings.

"Audit Committee"	the audit committee of the Company
"Board of Directors" or "Board"	our board of Directors
"CEO"	chief executive officer of our Company
"China" or "PRC"	the People's Republic of China, which for the purpose of this report and for geographical reference only, excludes Hong Kong, Macau and Taiwan
"CG Code"	the "Corporate Governance Code" set out in Appendix 14 to the Listing Rules
"Company", "our Company", "Group", "our Group", "China Leon", "we" or "us"	China Leon Inspection Holding Limited (中國力鴻檢驗控股有限公司), an exempted company incorporated under the laws of the Cayman Islands with limited liability on July 29, 2015 and except where the context indicated otherwise its subsidiaries
"Director(s)"	the director(s) of our Company
"Four Northern Ports"	the four major coal-trade ports in north China, which include Qinhuangdao port, Tangshan port, Huanghua port and Tianjin port
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IPO"	the Company's initial public offering of its Shares
"Listing Date"	July 12, 2016, on which the Shares are listed and from which dealings therein are permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nomination Committee"	the nomination committee of the Company
"Period"	the six months ended June 30, 2016
"Prospectus"	the prospectus of the Company dated June 29, 2016
"Remuneration Committee"	the remuneration committee of the Company

Definitions

"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of par value US$0.00005 each in the issued share capital of our Company
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"%"	per cent

Corporate Information

Board of Directors

Executive Directors

Mr. LI Xiangli *(Chairman and CEO)*
Mr. LIU Yi
Ms. ZHANG Aiying

Non-executive Director

Mr. WANG Gang

Independent Non-executive Directors

Mr. WANG Zichen
Mr. YANG Rongbing
Mr. ZHAO Hong

Company Secretary

Ms. LI Oi Lai, *ACIS, ACS, FCPA, FAIA*

Authorised Representatives under the Listing Rules

Mr. LI Xiangli
Ms. LI Oi Lai

Audit Committee

Mr. YANG Rongbing *(Chairman)*
Mr. WANG Zichen
Mr. ZHAO Hong

Remuneration Committee

Mr. ZHAO Hong *(Chairman)*
Ms. ZHANG Aiying
Mr. WANG Zichen

Nomination Committee

Mr. LI Xiangli *(Chairman)*
Mr. ZHAO Hong
Mr. WANG Zichen

Auditor

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Tower
Central
Hong Kong

Registered Office

PO Box 1350
Clifton House, 75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Headquarters and Principal Place of Business in the PRC

11/F, Sanyuan Building
18 Xibahe East Lane
Chaoyang District
Beijing, China

Principal Place of Business in Hong Kong

18/F, Tesbury Centre
28 Queen's Road East
Wanchai, Hong Kong

Principal Banker

China Construction Bank Jing'an Zhuang Sub-branch
Building 6, Time International Building
Courtyard 6, Shuguang West Lane
Chaoyang District
Beijing, China

Hong Kong Legal Advisor

Wilson Sonsini Goodrich & Rosati
Suite 1509, 15/F, Jardine House
1 Connaught Place
Central, Hong Kong

Compliance Advisor

CMB International Capital Limited
Units 1803-4, 18/F
Bank of America Tower
12 Harcourt Road
Central, Hong Kong

Principal Share Registrar and Transfer Office

Estera Trust (Cayman) Limited
P.O. Box 1350
Clifton House, 75 Fort Street
Grand Cayman KY1-1108
Cayman Islands

Hong Kong Branch Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Stock Code

Stock code: 1586

Website

www.huaxialihong.com

Management Discussion and Analysis

The board presents the unaudited interim condensed consolidated financial results of the Group for the six months ended 30 June 2016.

Business and Market Review

We operate in the independent testing and inspection industry, which serves a number of domestic industrial sectors, including the coal industry and power generation industry. In the first half of 2016, China's independent testing and inspection industry continued to emerge with the growing requirements for product quality, hygiene, safety and environmental protection, and developed steadily in response to rapid technological advancements, heightened regulatory scrutiny and evolving legislations enacted to set product standards. Privately-owned independent testing companies began to play an increasingly more important role over recent years in the coal distribution chain. In addition, the coal testing and inspection industry is evolving to favor a higher degree of automation, informatization and reliability. In light of these industrial trends and the continued development of the coal industry, the coal testing and inspection industry will continue to experience substantial growth in the foreseeable future.

We are a leading coal testing and inspection services provider in China. Through our eight service centers strategically positioned primarily at major coal-trade ports in China, we offer our customers a comprehensive suite of services, including primarily (1) testing services to provide assurance of coal quality, (2) surveying services to ensure contractual compliance of coal quantity, and (3) witnessing and ancillary services to prevent dishonest or abnormal activities in the testing and transportation of coal and ensure the contractual compliance of the weight of coal carried on rail, truck or conveying belt or shipping conditions of the cargo. During the Period, we continued to upgrade and expand our network of service centers and further strengthen our research and development efforts, purporting to reinforce our market leading position and cope with the challenges.

During the Period, our revenue and gross profit for the period were RMB81.1 million and RMB41.5 million, respectively, representing an increase of 5.1% and 0.4% over the corresponding period last year, respectively. The overall gross profit margin during the Period was 51.2% (six months ended 30 June 2015: 53.6%).

Business Strategies and Future Outlook

The development of China's coal testing and inspection industry mainly depends on the overall development of the coal industry and the further penetration of the coal testing and inspection industry. 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. Moreover, in terms of future industrial concentration, the companies with high credibility, leading techniques and strong professionalism will compete more effectively, leading to a concentration of elite companies.

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 centers, (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 select acquisitions. To accomplish our goal, we also seek to deepen our collaboration with state-owned testing institutions.

Management Discussion and Analysis

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 Northern Ports, 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 interface 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, we intend to upgrade our laboratorial facilities at our existing service centers located in the Four Northern Ports. To this end, we intend to secure land use right for enlarged or new office and laboratory sites, purchase and/or develop advanced sampling machinery and testing instruments, and retain additional qualified technicians to operate our upgraded service centers as and when needed. 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 management services spanning the entire coal distribution chain. Outside China, we intend to selectively open service facilities to provide coal testing services in countries with abundant coal export and import volume and represent large potential markets for us. Leveraging our integrated service capabilities, we intend to establish our presence in those countries through establishing subsidiaries, forming joint ventures with local business partners and/or acquiring existing service facilities. 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 management services. Interfaced 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.

Management Discussion and Analysis

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 complementary testing businesses will create synergy. During the Period, we have contributed our share of registered capital to Guangzhou Lihong Energy Testing Technology Co., Ltd. (廣州力鴻能源檢測技術有限公司), our joint venture. We believe our investment will further expand our service scope in the future.

Events after the Period

On the Listing Date, the Company issued 100,000,000 new ordinary shares at HK$0.98 per share by way of the IPO and 100,000,000 new ordinary shares credited as fully paid at par by way of capitalization issue. Subject to any adjustments to the professional advisors' fees in relation to the IPO, the net proceeds is estimated to amount to HK$65.2 million after deducting underwriting fees and other listing expenses. On the same date, the Company's shares were listed on the Stock Exchange.

Beijing Huachuang Yiyuan Technology Development Co., Ltd (北京華創億源科技開發有限公司), a subsidiary of the Company, completed its liquidation process on 2 August 2016.

Save as disclosed above, the Group has no significant events after the reporting period up to the date of this report.

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.

Financial Review

Overview

	For the six months ended 30 June		
	2016	2015	Change
	(Unaudited)	(Unaudited)	
	RMB'000	*RMB'000*	
Revenue	**81,070**	77,146	5.1%
Gross Profit	**41,481**	41,322	0.4%
Profit before tax	**13,037**	21,266	(38.7)%
Profit for the Period	**10,056**	17,864	(43.7)%

Revenue

The Group's revenue increased by 5.1% from approximately RMB77.1 million for the six months ended 30 June 2015 to approximately RMB81.1 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	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Testing services	**65,119**	62,717
Surveying services	**12,549**	10,330
Witnessing and ancillary services	**3,402**	3,977
Others	**–**	122
	81,070	77,146

Cost of Sales

The Group's cost of sales increased by 10.5% from approximately RMB35.8 million for the six months ended 30 June 2015 to approximately RMB39.6 million for the Period, representing 46.4% and 48.8% 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 vehicle expenses, generally consistent with the growth of the Group's business.

Financial Review

Gross Profit and Gross Profit Margin

The Group's gross profit increased by 0.4% from approximately RMB41.3 million for the six months ended 30 June 2015 to approximately RMB41.5 million for the Period. The gross profit margin decreased from 53.6% for the six months ended 30 June 2015 to 51.2% for the Period, which was primarily attributable to an increase in port charges and vehicle expenses.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by 86.4% from approximately RMB0.5 million for the six months ended 30 June 2015 to approximately RMB1.0 million for the Period. The increase in the Group's selling and distribution expenses was primarily attributable to the increased open tender expenses and increased labor costs from increased headcount and compensation bases.

Administrative Expenses

The Group's administrative expenses increased by 25.0% from approximately RMB20.6 million for the six months ended 30 June 2015 to approximately RMB25.7 million for the Period. The increase in the Group's administrative expenses was primarily attributable to the non-recurring fees of RMB9.1 million paid for services provided by professional advisers in relation to the IPO which was charged to our interim condensed consolidated statement of profit or loss and other comprehensive income. The increment in such fee of RMB2.5 million compared to our estimation made in the Prospectus was due to certain adjustments made to our professional advisors' fees.

Other Expenses

The Group recorded other expenses of approximately RMB42,000 and RMB1.7 million for the six months ended 30 June 2015 and the Period, respectively. The increase in the Group's other expenses was primarily attributable to (1) the impairment of the value of certain construction in progress and (2) the increased depreciation of the investment properties.

Finance Costs

The Group recorded a finance cost of approximately RMB1.1 million for the Period as a result of interest payments for certain borrowings incurred in late June 2015.

Income Tax Expense

During the Period, income tax expense amounted to approximately RMB3.0 million, decreased by approximately RMB0.4 million as compared with approximately RMB3.4 million for the corresponding period last year, as a result of the decreased profit before tax.

Net Profit

The Group's net profit decreased by 43.7% from approximately RMB17.9 million for the six months ended 30 June 2015 to approximately RMB10.1 million for the Period, primarily attributable to the non-recurring fees of RMB9.1 million paid for services provided by professional advisers in relation to the IPO which was charged to our interim condensed consolidated statement of profit or loss and other comprehensive income.

Financial Review

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 RMB35.5 million and RMB39.0 million as at 31 December 2015 and 30 June 2016, respectively. The increase as at 30 June 2016 was primarily due to (1) the purchase of certain vehicles and equipment in line with the Group's business expansion, and (2) 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 RMB23.5 million and RMB22.9 million as at 31 December 2015 and 30 June 2016, 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 2015 and 30 June 2016, the Group had trade and bills receivables of approximately RMB29.0 million and RMB30.8 million, respectively.

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, deferred listing expenses and will be capitalized and deducted from the share premium upon the completion of the IPO, 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 RMB4.9 million from approximately RMB9.3 million as at 31 December 2015 to approximately RMB14.2 million as at 30 June 2016, primarily due to the deferred listing expenses for services provided by professional advisers in relation to the IPO. The non-current portion of the Group's prepayments, deposits and other receivables increased by approximately RMB4.3 million from approximately RMB0.3 million as at 31 December 2015 to approximately RMB4.6 million as at 30 June 2016, primarily due to (1) the increased prepayment for construction in progress, (2) the increased prepayment for the purchase of certain equipment and (3) the deposits paid to enter land auction process.

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 2015 and 30 June 2016, the fair value of our available-for-sale investments reached RMB26.0 million and RMB6.0 million, respectively. The decrease in the Group's available-for-sale investments as at 30 June 2016 was because the Group redeemed certain financial products to meet its funding requirements.

Financial Review

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 2015 and 30 June 2016, the Group's cash and cash equivalents were RMB58.1 million and RMB7.2 million, respectively. The significant decrease in the Group's cash and cash equivalents as at 30 June 2016 was primarily attributable to (1) the payment to shareholders of approximately RMB47.9 million in connection with the reorganization the Group undergone for the IPO, (2) the repayment of a bank loan in the amount of RMB30.0 million which was borrowed in late June 2015, and (3) the purchase of available-for-sale investments of RMB36.5 million, partially offset by (1) cash generated from operations of RMB27.9 million, and (2) the disposal of available-for-sale investments of RMB56.5 million.

Trade Payables

The Group's trade payables primarily represent amounts payable for port charges. As at 31 December 2015 and 30 June 2016, the Group's trade payables was RMB4.1 million and RMB11.3 million. The significant increase in the Group's trade payables as at 30 June 2016 was primarily because the Group had not paid the outstanding port charges payable to the port company at Huanghua port as agreed with such port company.

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 2015 and 30 June 2016, the Group had advance from customers, other payables and accruals of RMB75.6 million and RMB33.8 million. The decrease in the Group's advance from customers, other payables and accruals as at 30 June 2016 was due to the payment to shareholders of approximately RMB47.9 million in connection with the reorganization the Group undergone for the IPO.

Interest-bearing Bank Loans

The Group had interest-bearing bank loans of RMB30.0 million and nil as at 31 December 2015 and 30 June 2016. The decrease in the Group's interest-bearing bank loans was due to the repayment of a guaranteed short-term loan from a commercial bank in the amount of RMB30.0 million in the first half of 2016.

Interest-bearing Other Borrowing

As at 30 June 2016, the Group's indebtedness reflected an unsecured loan from an individual who is an independent third party in the amount of RMB20.0 million. Such third-party loan falls due in September 2018, and bears an annual interest of 4.75%.

Liquidity and Capital Resources

The Group had cash and cash equivalents of RMB7.2 million as at 30 June 2016. As at 30 June 2016, the Group had no outstanding bank borrowing balances. The Board is of the opinion that the Group is in a strong and healthy financial position and has sufficient resources to support its operations and meet its foreseeable capital expenditures.

Financial Review

Cash Flows from Operating Activities

The Group had net cash flows from operating activities of approximately RMB8.2 million and RMB23.2 million for the six months ended 30 June 2015 and the Period, respectively. The increase in the Group's cash flows from operating activities was primarily due to our enhanced efforts to collect our trade receivables during the first half of 2016.

Cash Flows from Financing Activities

The Group had net cash outflows from financing activities of approximately RMB13.0 million and RMB84.3 million for the six months ended 30 June 2015 and the Period, respectively. The increase in the Group's cash outflows from financing activities was primarily due to (1) cash paid to shareholder approximately RMB47.9 million in connection with the reorganization the Group undergone for the IPO, (2) the repayment of a bank loan in the amount of RMB30.0 million which was borrowed in late June 2015, partially offset by the distribution of RMB40.0 million in the six months ended 30 June 2015.

Commitments

As at 30 June 2016, the Group had a total capital commitment of approximately RMB17.0 million for contracted but not performed acquisition of property, plant and equipment and land use rights.

Contingent Liabilities

As at 30 June 2016, 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.

	As at 30 June 2016 ***RMB'000***	As at 31 December 2015 *RMB'000*
Total debt	**20,000**	50,000
Total equity	**71,084**	60,999
Gearing ratio	**28.1%**	82.0%

Financial Review

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 recognized 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.

Foreign 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

During the Period, none of the Group's assets were charged.

Supplementary Information

Human Resources

As of June 30, 2016, the Group had 744 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.

Use of Proceeds

The Company was listed on the Stock Exchange on 12 July 2016. Subject to any adjustments to the professional advisors' fees in relation to the IPO, the net proceeds is estimated to amount to HK$65.2 million after deducting underwriting fees and other listing expenses. As at the date of this report, the Group has not utilized such proceeds. The Company will use the proceeds raised from the IPO in accordance with the proposed applications as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The unutilized net proceeds have been placed with licensed banks as interest bearing deposits.

Interim Dividend

The Board has resolved not to declare any interim dividend for the Period.

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 as set out in the CG Code as its own code to govern its corporate governance practices. From Listing Date and up to the date of this report, 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 CEO were performed by the same individual, the Company has been in compliance with all the code provisions under the CG Code as set out in Appendix 14 to the Listing Rules. 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.

Supplementary Information

Model Code for Securities Transactions

The Company has adopted the 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 his/her office or employment, is 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 from the Listing Date up to the date of this report. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group from the Listing Date up to the date of this report.

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 from the Listing Date up to the date of this report.

Review of Financial Information

The Audit Committee, comprising Mr. YANG Rongbing, Mr. WANG Zichen and Mr. ZHAO Hong, has discussed with the management and reviewed the unaudited interim financial information of the Group for the Period.

The Company's external auditor, Ernst & Young, have reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2016 in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information performed by the Independent Auditor of the Entity*.

Interests of Directors and Chief Executive in Securities

So far as is known to any Director or chief executive of the Company, as of the date of this report, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Supplementary Information

Name of Director	Nature of Interest	Number of Shares(Note 1)	Approximate percentage of issued share capital of the Company
Mr. LI Xiangli *(Notes 2, 3, 4)*	Interests held jointly with another person Interests of a controlled corporation Interests of spouse	210,930,000 (L)	52.73%
Ms. ZHANG Aiying *(Notes 2, 4, 5)*	Interests held jointly with another person Interests of a controlled corporation Interests of spouse	210,930,000 (L)	52.73%
Mr. LIU Yi *(Notes 2, 6)*	Interests held jointly with another person Interests of a controlled corporation	210,930,000 (L)	52.73%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) On January 31, 2016, Mr. LI Xiangli, Ms. ZHANG Aiying and Mr. LIU Yi entered into an acting-in-concert deed to acknowledge and confirm that they are parties acting in concert in respect of each of the members of our Group during and since the three years ended December 31, 2013, 2014 and 2015 and continue after the date of the deed. Pursuant to the deed, Ms. ZHANG Aiying and Mr. LIU Yi shall support Mr. LI Xiangli's decisions on material matters in relation to the operation and management of our Group by exercising their voting rights at the meetings of the shareholders and boards of the members of our Group in accordance with the decision of Mr. LI Xiangli. For details, see in the section headed "Relationship with Controlling Shareholders – Our Controlling Shareholders Acting in Concert" in the Prospectus. By virtue of the SFO, Mr. LI Xiangli, Ms. ZHANG Aiying and Mr. LIU Yi are deemed to be interested in our Shares which are interested by each other.

(3) Leon Cornerstone Investment Holding Limited ("Leon Investment") is beneficially and wholly-owned by Mr. LI Xiangli. By virtue of the SFO, Mr. LI Xiangli is deemed to be interested in our Shares held by Leon Investment.

(4) Ms. ZHANG Aiying is the spouse of Mr. Li Xiangli. By virtue of the SFO, Mr. LI Xiangli and Ms. ZHANG Aiying are deemed to be interested in our Shares which are interested by each other.

(5) Swan Stone Investment Holding Limited ("Swan Stone") is beneficially and wholly-owned by Ms. ZHANG Aiying. By virtue of the SFO, Ms. ZHANG Aiying is deemed to be interested in our Shares held by Swan Stone.

(6) Hawk Flying Investment Holdings Limited ("Hawk Flying") is beneficially and wholly-owned by Mr. LIU Yi. By virtue of the SFO, Mr. LIU Yi is deemed to be interested in our Shares held by Hawk Flying.

Save as disclosed above and to the best knowledge of the Directors, as at the date of this report, none of the Directors or the chief executive of the Company has any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Supplementary Information

Substantial Shareholders' Interests in Securities

So far as the Directors are aware as of the date of this report, the following corporations/persons had interests of 5% or more in the issued Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares *(Note 1)*	Approximate percentage of issued share capital of the Company
Ms. WEI Yajuan *(Note 2)*	Interests of spouse	210,930,000 (L)	52.73%
Leon Investment *(Note 3)*	Beneficial owner	126,090,000 (L)	31.52%
Swan Stone *(Note 4)*	Beneficial owner	49,290,000 (L)	12.32%
Hawk Flying *(Note 5)*	Beneficial owner	35,550,000 (L)	8.89%
China Certification & Inspection Group Co., Ltd. ("CCIC") *(Note 6)*	Interests of a controlled corporation	46,500,000 (L)	11.63%
China Inspection Company Limited ("CIC") *(Note 6)*	Interests of a controlled corporation	46,500,000 (L)	11.63%
China Dragon Inspection & Certification (H.K.) Limited ("China Dragon") *(Note 6)*	Beneficial owner	46,500,000 (L)	11.63%
Mr. LI Dexin *(Note 7)*	Interests of a controlled corporation	23,700,000 (L)	5.93%
New Virtue Investment Holding Limited ("New Virtue") *(Note 7)*	Beneficial owner	23,700,000 (L)	5.93%
Ms. ZHENG Guangping *(Note 8)*	Interests of spouse	23,700,000 (L)	5.93%
中國重型汽車集團有限公司 *(Note 9)*	Interests of a controlled corporation	20,408,000 (L)	5.10%
Sinotruk (BVI) Limited *(Note 9)*	Interests of a controlled corporation	20,408,000 (L)	5.10%
中國重汽（香港）有限公司 *(Note 9)*	Interests of a controlled corporation	20,408,000 (L)	5.10%
中國重汽（香港）國際資本有限公司 *(Note 9)*	Interests of a controlled corporation	20,408,000 (L)	5.10%
中國重汽（香港）投資控股有限公司 *(Note 9)*	Beneficial owner	20,408,000 (L)	5.10%

Notes:

(1) The letter "L" denotes the person's long position in our Shares.

(2) Ms. WEI Yajuan is the spouse of Mr. LIU Yi. By virtue of the SFO, Ms. WEI Yajuan is deemed to be interested in our Shares which are interested by Mr. LIU Yi.

(3) Leon Investment is beneficially and wholly-owned by Mr. LI Xiangli. By virtue of the SFO, Mr. LI Xiangli is deemed to be interested in our Shares held by Leon Investment.

(4) Swan Stone is beneficially and wholly-owned by Ms. ZHANG Aiying. By virtue of the SFO, Ms. ZHANG Aiying is deemed to be interested in our Shares held by Swan Stone.

(5) Hawk Flying is beneficially and wholly-owned by Mr. LIU Yi. By virtue of the SFO, Mr. LIU Yi is deemed to be interested in our Shares held by Hawk Flying.

(6) China Dragon is a subsidiary of CIC, which is a subsidiary of CCIC. By virtue of the SFO, CIC and CCIC are deemed to be interested in our Shares held by China Dragon.

(7) New Virtue is beneficially and wholly-owned by Mr. LI Dexin. By Virtue of the SFO, Mr. LI Dexin is deemed to be interested in our Shares held by New Virtue.

(8) Ms. ZHENG Guangping is the spouse of Mr. LI Dexin. By virtue of the SFO, Ms. ZHENG Guangping is deemed to be interested in our Shares which are interested by Mr. LI Dexin.

(9) 中國重汽（香港）投資控股有限公司directly holds 20,408,000 Shares. 中國重汽（香港）投資控股有限公司is a wholly-owned subsidiary of中國重汽（香港）國際資本有限公司. 中國重汽（香港）國際資本有限公司 is a wholly-owned subsidiary of 中國重汽（香港）有限公司, which in turn 51% of its interest is beneficially owned by Sinotruk (BVI) Limited. Sinotruk (BVI) Limited is a wholly-owned subsidiary of 中國重型汽車集團有限公司.

Save as disclosed above and to the best knowledge of the Directors, as at the date of this report, no person had registered an interest or short position in the Shares, underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO or which would fall to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO.

Share Option Schemes

As at the date of this report, the Company has not adopted any share option schemes under Chapter 17 of the Listing Rules.

Report on Review of Interim Condensed Consolidated Financial Statements

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Tel: +852 2846 9888
Fax: +852 2868 4432
www.ey.com

To the board of directors of China Leon Inspection Holding Limited
(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the accompanying interim condensed consolidated statement of financial position of China Leon Inspection Holding Limited. (the "Company") and its subsidiaries (together, the "Group") as at 30 June 2016 and the related interim condensed consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six months period then ended and explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim condensed consolidated financial statements to be in compliance with the relevant provisions thereof and International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Ernst & Young
Certified Public Accountants
Hong Kong
30 August 2016

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
REVENUE	4	**81,070**	77,146
Cost of sales		**(39,589)**	(35,824)
Gross profit		**41,481**	41,322
Other income and gains	4	**1,049**	1,083
Selling and distribution expenses		**(971)**	(521)
Administrative expenses		**(25,723)**	(20,576)
Other expenses		**(1,716)**	(42)
Finance costs	6	**(1,083)**	–
PROFIT BEFORE TAX	5	**13,037**	21,266
Income tax expense	7	**(2,981)**	(3,402)
PROFIT FOR THE PERIOD		**10,056**	17,864
Attributable to:			
Owners of the parent		**10,056**	17,877
Non-controlling interests		**–**	(13)
		10,056	17,864

Interim Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (continued)

For the six months ended 30 June 2016

	Note	For the six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
OTHER COMPREHENSIVE INCOME			
Other comprehensive income to be reclassified to profit or loss in subsequent periods (net of tax):			
Exchange differences on translation of foreign operations		**29**	–
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**10,085**	17,864
Attributable to:			
Owners of the parent		**10,085**	17,877
Non-controlling interests		**–**	(13)
		10,085	17,864
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	8	**N/A**	N/A

Interim Condensed Consolidated Statement of Financial Position

30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	**39,018**	35,455
Investment properties	10	**22,887**	23,493
Prepaid land lease payments	11	**10,408**	10,572
Goodwill		**572**	572
Intangible assets		**75**	50
Investment in a joint venture		**1,500**	–
Deferred tax assets		**2,259**	2,494
Prepayments, deposits and other receivables	13	**4,612**	322
Total non-current assets		**81,331**	72,958
CURRENT ASSETS			
Trade and bills receivables	12	**30,785**	29,039
Prepayments, deposits and other receivables	13	**14,192**	9,339
Available-for-sale investments	14	**6,000**	26,000
Pledged deposits	15	**33**	33
Cash and cash equivalents	15	**7,194**	58,147
Total current assets		**58,204**	122,558
CURRENT LIABILITIES			
Trade payables	16	**11,265**	4,096
Advance from customers, other payables and accruals	17	**33,789**	75,558
Interest-bearing bank loan	18	**–**	30,000
Tax payable		**2,663**	4,603
Total current liabilities		**47,717**	114,257
NET CURRENT ASSETS		**10,487**	8,301
TOTAL ASSETS LESS CURRENT LIABILITIES		**91,818**	81,259

Interim Condensed Consolidated Statement of Financial Position (continued)

30 June 2016

	Notes	30 June 2016 (Unaudited) RMB'000	31 December 2015 (Audited) RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing other borrowing	18	**20,000**	20,000
Interest payable		**734**	260
Total non-current liabilities		**20,734**	20,260
Net assets		**71,084**	60,999
EQUITY			
Equity attributable to owners of the parent			
Share capital		**65**	65
Reserves		**70,858**	60,773
		70,923	60,838
Non-controlling interests		**161**	161
Total equity		**71,084**	60,999

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2016

	Attributable to owners of the parent								
	Share capital (Unaudited) *RMB'000*	**Contributed surplus** *(note 1)* (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 2016	**65**	**–**	**18,374**	**8,490**	**753**	**33,156**	**60,838**	**161**	**60,999**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**10,056**	**10,056**	**–**	**10,056**
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 1 January 2015	–	15,000	27	7,947	–	87,092	110,066	193	110,259
Profit for the period	–	–	–	–	–	17,877	17,877	(13)	17,864
Total comprehensive income for the period	–	–	–	–	–	17,877	17,877	(13)	17,864
Profit distribution *(note 2)*	–	–	–	–	–	(50,000)	(50,000)	–	(50,000)
As at 30 June 2015	–	15,000	27	7,947	–	54,969	77,943	180	78,123

* As at 30 June 2016, these reserve accounts comprise the consolidated reserves of RMB70,858,000 (unaudited) (31 December 2015: RMB60,773,000) in the consolidated statement of financial position.

Note 1: The Group's contributed surplus represents the issued capital of Beijing Huaxia Lihong Commodity Inspection Co., Ltd. ("Beijing Huaxia Lihong") as at 30 June 2015.

Note 2: Prior to the incorporation of the Company on 29 July 2015, the main operating activities were carried out by Beijing Huaxia Lihong and its subsidiaries. During the six months ended 30 June 2015, Beijing Huaxia Lihong distributed retained profits of RMB50,000,000 to the then shareholders.

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2016

	Notes	For the six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**13,037**	21,266
Adjustments for:			
Finance costs	6	**1,083**	–
Depreciation of property, plant and equipment	5	**3,099**	3,776
Depreciation of investment properties	5	**606**	202
Amortisation of prepaid land lease payments	5	**164**	124
Amortisation of intangible assets	5	**5**	4
Loss on disposal of items of property, plant and equipment, net		**–**	27
Gain on disposal of available-for-sale investments	5	**(201)**	(780)
Initial public offering related fee		**9,118**	3,825
Impairment/(reversal of impairment) of trade receivables	5	**47**	(246)
Impairment of construction in progress	5	**1,028**	–
		27,986	28,198
Decrease in inventories		**–**	305
Increase in trade and bills receivables		**(1,746)**	(19,345)
Increase in prepayments, deposits and other receivables		**(2,063)**	(2,727)
Increase in trade payables		**7,169**	4,196
Decrease in advance from customers, other payables and accruals		**(3,430)**	(560)
Cash generated from operations		**27,916**	10,067
Income tax paid		**(4,684)**	(1,916)
Net cash flows from operating activities		**23,232**	8,151

Interim Condensed Consolidated Statement of Cash Flows (continued)

For the six months ended 30 June 2016

	Note	For the six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(8,625)**	(10,905)
Payment for prepaid land lease payments		**–**	(3,197)
Payment for intangible assets		**(30)**	–
Purchase of available-for-sale investments		**(36,500)**	(84,130)
Disposal of available-for-sale investments		**56,500**	110,630
Gain on disposal of available-for-sale investments	5	**201**	780
Purchase of interests in a joint venture		**(1,500)**	–
Decrease in pledged deposits		**–**	499
Net cash flows from investing activities		**10,046**	13,677
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of deemed distribution *(note)*		**(47,877)**	–
New bank loan		**–**	30,000
Repayment of a bank loan		**(30,000)**	–
Interest paid		**(609)**	–
Distribution		**–**	(40,000)
Payment for initial public offering related fee		**(5,774)**	(3,025)
Net cash flows used in financing activities		**(84,260)**	(13,025)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(50,982)**	8,803
Effect of foreign exchange rate changes, net		**29**	–
Cash and cash equivalents at beginning of period		**58,147**	20,066
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**7,194**	28,869

Note: Pursuant to the reorganization 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 to Huaxia Leon Inspection Limited, the subsidiary held by the Company. The consideration was RMB47,877,000 and settled in January 2016.

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. A group reorganization was completed on 16 December 2015, the Company became the holding company of the other subsidiaries comprising the Group. 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").

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 2016 have been prepared in accordance with International Accounting Standard ("IASs") 34 Interim Financial Reporting and the disclosure requirements of the Main Board Listing Rules Governing the Listing of Securities on The Hong Kong Stock Exchange ("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 2015.

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 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 2015, except for the adoption of the new and revised International Financial Reporting Standards ("IFRSs") that are effective from 1 January 2016. The Group has not early adopted any other standard or amendment that has been issued but is not yet effective.

The nature and the impact of each new standards or amendment is described below:

2. Basis of Preparation and Changes to the Accounting Policies (continued)

2.2 New standards and amendments adopted by the Group (continued)

IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 is an optional standard that allows an entity, whose activities are subject to rate-regulation, to continue applying most of its existing accounting policies for regulatory deferral account balances upon its first-time adoption of IFRS. Entities that adopt IFRS 14 must present the regulatory deferral accounts as separate line items on the statement of financial position and present movements in these account balances as separate line items in the statement of profit or loss and other comprehensive income. The standard requires disclosure of the nature of, and risks associated with, the entity's rate-regulation and the effects of that rate-regulation on its financial statements. IFRS 14 is effective for annual periods beginning on or after 1 January 2016. Since the Group is an existing IFRS preparer and is not involved in any rate-regulated activities, this standard does not apply.

Amendments to IFRS 11 *Accounting for Acquisitions of Interests in Joint Operations*

The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business, must apply the relevant IFRS 3 Business Combinations principles for business combination accounting. The amendments also clarify that a previously held interest in a joint operation is not remeasured on the acquisition of an additional interest in the same joint operation if joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as there has been no interest acquired in a joint operation during the period.

Amendments to IAS *16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation*

The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its non-current assets.

2. Basis of Preparation and Changes to the Accounting Policies (continued)

2.2 New standards and amendments adopted by the Group (continued)

Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

The amendments change the accounting requirements for biological assets that meet the definition of bearer plants. Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. After initial recognition, bearer plants will be measured under IAS 16 at accumulated cost (before maturity) and using either the cost model or revaluation model (after maturity). The amendments also require that produce that grows on bearer plants will remain in the scope of IAS 41 measured at fair value less costs to sell. For government grants related to bearer plants, IAS 20 Accounting for Government Grants and Disclosure of Government Assistance will apply. The amendments are retrospectively effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group as the Group does not have any bearer plants.

Amendments to IAS 27 *Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements 2012-2014 Cycle

These improvements are effective for annual periods beginning on or after 1 January 2016. They include:

IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*

Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

2. Basis of Preparation and Changes to the Accounting Policies (continued)

2.2 New standards and amendments adopted by the Group (continued)

Annual Improvements 2012-2014 Cycle (continued)

IFRS 7 *Financial Instruments: Disclosures*

(i) Servicing contracts

The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements

The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

IAS 19 *Employee Benefits*

The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

IAS 34 *Interim Financial Reporting*

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.

These amendments do not have any impact on the Group.

2. Basis of Preparation and Changes to the Accounting Policies (continued)

2.2 New standards and amendments adopted by the Group (continued)

Amendments to IAS 1 *Disclosure Initiative*

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*

The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

2. Basis of Preparation and Changes to the Accounting Policies (continued)

2.2 New standards and amendments adopted by the Group (continued)

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception (continued)*

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

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 (e.g., the president and vice president) for purposes of resource arrangement and performance assessment. Accordingly, no segment information by profit, asset and liability is presented.

Geographical information

All of the Group's revenue is derived from customers based in Mainland China, and all of the non-current assets of the Group are located in Mainland China. Accordingly, no segment information by geographical segment is presented.

Information about a major customer

For the six months ended 30 June 2016, revenue generated from one of the Group's customers accounting for 10% or more of the Group's total revenue was RMB45,199,000 (30 June 2015: RMB41,611,000) (unaudited).

4. Revenue, Other Income and Gains

Revenue comprises the value of services rendered and the net invoiced value of materials sold.

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

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Revenue		
Testing services	**65,119**	62,717
Surveying services	**12,549**	10,330
Witnessing and ancillary services	**3,402**	3,977
Others	**–**	122
	81,070	77,146
Other income		
Bank interest income	**12**	35
Government grants	**486**	141
Rental income	**330**	67
	828	243
Gains		
Gain on disposal of available-for-sale investments	**201**	780
Others	**20**	60
	221	840
	1,049	1,083

5. Profit before Tax

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

	Notes	For the six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Cost of services provided		**39,589**	35,662
Depreciation of property, plant and equipment	9	**3,099**	3,776
Depreciation of investment properties	10	**606**	202
Amortisation of prepaid land lease payments	11	**164**	124
Amortisation of intangible assets		**5**	4
Research and development costs:			
Current period expenditure		**2,155**	2,949
Minimum lease payments under operating leases:			
Land and buildings		**2,932**	2,560
Employee benefit expenses (including directors' and the chief executive's remuneration):			
Wages and salaries		**21,322**	20,411
Pension scheme contributions		**2,010**	2,550
Welfare and other expenses		**4,108**	3,660
		27,440	26,621
Impairment/(reversal of impairment) of trade receivables		**47**	(246)
Impairment of construction in progress	9	**1,028**	–
Bank interest income		**(12)**	(35)
Gain on disposal of available-for-sale investments		**(201)**	(780)

6. Finance Costs

An analysis of financial costs is as follows:

	For the six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Interest on a bank loan and an other borrowing wholly repayable within five years	**1,083**	–

7. Income Tax

The Company and its subsidiary incorporated in the Cayman Islands and 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 during the six months ended 30 June 2016.

The Company's subsidiaries in the PRC 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 the six months ended 30 June 2016.

	For the six months ended 30 June	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Current income tax		
– Mainland China	**2,746**	3,562
Deferred	**235**	(160)
Tax charge for the period	**2,981**	3,402

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	
	2016	2015
	(Unaudited)	(Unaudited)
	RMB'000	*RMB'000*
Profit before tax	**13,037**	21,266
Income tax charge at the statutory income tax rate of 25%	**3,259**	5,316
Effect of preferential income tax rate	**(1,536)**	(2,163)
Tax losses not recognised	**1,655**	550
Expenses not deductible for tax	**64**	63
Additional tax deduction for research and development expenditure	**(269)**	(369)
Others	**(192)**	5
Tax charge for the period at the effective rate	**2,981**	3,402

8. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

The Company's shares were listed on The Stock Exchange of Hong Kong Limited on 12 July 2016, earnings per share information for the six months ended 30 June 2016 and 2015 is not presented as its inclusion, for the purpose of these financial statements, is not considered meaningful due to the reorganization.

9. 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 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 *(note)*	–	–	–	(1,028)	–	(1,028)
Net carrying amount	1,881	4,965	7,698	23,186	1,288	39,018

Note: 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 2016.

9. Property, Plant and Equipment (continued)

	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 2015						
At 1 January 2015:						
Costs	27,985	16,337	15,281	7,041	4,415	71,059
Accumulated depreciation	(1,223)	(9,923)	(7,273)	–	(2,146)	(20,565)
Net carrying amount	26,762	6,414	8,008	7,041	2,269	50,494
At 1 January 2015, net of accumulated depreciation	26,762	6,414	8,008	7,041	2,269	50,494
Additions	–	1,606	1,245	3,261	–	6,112
Disposals	–	(7)	(36)	–	–	(43)
Transfers to the investment properties *(note 10)*	(24,301)	–	–	–	–	(24,301)
Depreciation provided during the period *(note 5)*	(494)	(1,526)	(1,281)	–	(475)	(3,776)
At 30 June 2015, net of accumulated depreciation	1,967	6,487	7,936	10,302	1,794	28,486
At 30 June 2015:						
Costs	2,472	17,825	16,336	10,302	3,190	50,125
Accumulated depreciation	(505)	(11,338)	(8,400)	–	(1,396)	(21,639)
Net carrying amount	1,967	6,487	7,936	10,302	1,794	28,486

10. Investment Properties

	As at 30 June 2016 (Unaudited) RMB'000	As at 30 June 2015 (Unaudited) RMB'000
Cost:		
At beginning of the period	25,513	–
Transfer from owner-occupied properties *(note 9)*	–	25,513
At end of the period	25,513	25,513
Accumulated depreciation:		
At beginning of the period	(2,020)	–
Transfer from owner-occupied properties *(note 9)*	–	(1,212)
Depreciation charge for the period *(note 5)*	(606)	(202)
At end of the period	(2,626)	(1,414)
Net carrying amount:		
At beginning of the period	23,493	–
At end of the period	22,887	24,099

11. Prepaid Land Lease Payments

	As at 30 June 2016 (Unaudited) ***RMB'000***	As at 30 June 2015 (Unaudited) *RMB'000*
Carrying amount at beginning of the period	**10,894**	7,992
Additions	**–**	3,197
Amortisation for the period *(note 5)*	**(164)**	(124)
Carrying amount at end of the period	**10,730**	11,065
Prepaid land lease payment:		
Current portion included in prepayments, deposits and other receivables *(note 13)*	**322**	328
Non-current portion	**10,408**	10,737
	10,730	11,065

12. Trade and Bills Receivables

	As at 30 June 2016 (Unaudited) ***RMB'000***	As at 31 December 2015 (Audited) *RMB'000*
Trade receivables	**31,394**	29,798
Bills receivable	**150**	–
Impairment	**(759)**	(759)
	30,785	29,039

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.

12. Trade and Bills Receivables (continued)

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

	As at 30 June 2016 (Unaudited) ***RMB'000***	As at 31 December 2015 (Audited) *RMB'000*
Within 3 months	**24,388**	22,916
3 to 6 months	**3,627**	3,435
6 months to 1 year	**2,172**	2,688
Over 1 year	**598**	–
	30,785	29,039

13. Prepayments, Deposits and Other Receivables

	As at 30 June 2016 (Unaudited) ***RMB'000***	As at 31 December 2015 (Audited) *RMB'000*
Prepaid land lease payments *(note 11)*	**322**	322
Prepayments	**14,447**	6,772
Deposits and other receivables	**4,035**	2,567
	18,804	9,661
Portion classified as non-current assets	**(4,612)**	(322)
	14,192	9,339

14. Available-for-sale Investments

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
	RMB'000	*RMB'000*
Bank financial products, at fair value	**6,000**	26,000

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.

15. Cash and Cash Equivalents and Pledged Deposits

	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)
	RMB'000	*RMB'000*
Cash and bank balances	**7,194**	58,147
Time deposits	**33**	33
	7,227	58,180
Less: Time deposits pledged for construction in the process	**(33)**	(33)
Cash and cash equivalents	**7,194**	58,147

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.

16. Trade Payables

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

	As at 30 June 2016 (Unaudited) ***RMB'000***	As at 31 December 2015 (Audited) *RMB'000*
Within 3 months	**5,038**	4,027
3 to 6 months	**5,722**	–
6 months to 1 year	**439**	1
Over 1 year	**66**	68
	11,265	4,096

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

17. Advance from Customers, Other Payables and Accruals

	As at 30 June 2016 (Unaudited) ***RMB'000***	As at 31 December 2015 (Audited) *RMB'000*
Advance from customers	**693**	616
Accrued salaries, wages and benefits	**13,345**	17,771
Other taxes payable	**1,262**	582
Payable to vendors of plant, property and equipment	**5,175**	1,805
Payable to shareholders	**–**	47,877
Others	**13,314**	6,907
	33,789	75,558

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

18. Interest-bearing Bank Loan and Other Borrowing

	As at 30 June 2016 (Unaudited) *RMB'000*	As at 31 December 2015 (Audited) *RMB'000*
Current		
Short-term bank loan		
– Secured	–	30,000
Non-current		
Other borrowing		
– Unsecured	20,000	20,000
	20,000	50,000

The other borrowing was a loan from an independent third party.

All of the Group's bank loan and other borrowing are denominated in RMB.

The Group's bank loan amounting to RMB30,000,000 as at 31 December 2015 was guaranteed by an independent third party. The Group in turn provided a counter-guarantee by mortgage over the Group's investment properties with a carrying value of RMB23,493,000 as at 31 December 2015. LI Xiangli and ZHANG Aiying also provided a counter-guarantee to this independent third party. The guarantee has been relieved along with the repayment of the bank loan during the six months ended 30 June 2016.

19. Operating Lease Arrangements

(a) As lessor

The Group leases its investment properties under operating lease arrangements, with leases negotiated for a term of three or four years.

As at 30 June 2016 and 31 December 2015, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	As at 30 June 2016 (Unaudited) *RMB'000*	As at 31 December 2015 (Audited) *RMB'000*
Within one year	**550**	550
In the second to fifth years, inclusive	**773**	1,048
	1,323	1,598

(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 2016 and 31 December 2015, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	As at 30 June 2016 (Unaudited) *RMB'000*	As at 31 December 2015 (Audited) *RMB'000*
Within one year	**5,972**	2,886
In the second to fifth years, inclusive	**14,118**	3,145
Beyond five years	**750**	1,050
	20,840	7,081

20. Commitments

In addition to the operating lease commitments detailed in note 19(b) above, the Group had the following capital commitments at the end of the reporting periods:

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Contracted, but not provided for:		
Property, plant and equipment and land use rights	**16,995**	9,982

21. Related Party Transactions

(a) Outstanding balances with related parties:

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Due to shareholders:		
LI Xiangli and ZHANG Aiying	**–**	35,429
LIU Yi	**–**	7,181
LI Dexin	**–**	4,788
ZHANG Jiaqi	**–**	479
	–	47,877

(b) Compensation of key management personnel of the Group

	For the six months ended 30 June 2016 (Unaudited) RMB'000	2015 (Unaudited) RMB'000
Short-term employee benefits	**1,819**	1,714
Pension scheme contributions	**140**	117
	1,959	1,831

22. 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 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Loans and receivables:		
Trade and bills receivables	30,785	29,039
Financial assets included in prepayments, deposits and other receivables	4,035	2,567
Pledged deposits	33	33
Cash and cash equivalents	7,194	58,147
Available-for-sale financial assets:		
Available-for-sale investments	6,000	26,000
	48,047	115,786

Financial liabilities

	As at 30 June 2016 (Unaudited) RMB'000	As at 31 December 2015 (Audited) RMB'000
Financial liabilities at amortised cost:		
Trade payables	11,265	4,096
Financial liabilities included in advance from customers, other payables and accruals	18,489	56,589
Interest-bearing bank loan and other borrowing	20,000	50,000
Interest payable	734	260
	50,488	110,945

23. 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 2016 (Unaudited) *RMB'000*	As at 31 December 2015 (Audited) *RMB'000*	**As at 30 June 2016 (Unaudited) *RMB'000***	As at 31 December 2015 (Audited) *RMB'000*
Financial assets				
Available-for-sale investments	**6,000**	26,000	**6,000**	26,000
Financial liabilities				
Interest-bearing bank loan and other borrowing	**20,000**	50,000	**20,000**	50,000
Interest payable	**734**	260	**734**	260
	20,734	50,260	**20,734**	50,260

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, trade 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 valuation is reviewed and approved by the chief financial officer.

The fair values of interest-bearing bank loan 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 loan and other borrowing and interest payable at 30 June 2016 was assessed to be insignificant.

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 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.

23. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

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 2016

	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	**–**	**6,000**	**–**	**6,000**

As at 31 December 2015

	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	–	26,000	–	26,000

23. Fair Value and Fair Value Hierarchy of Financial Instruments (continued)

Fair value hierarchy (continued)

Liabilities for which fair value are disclosed

As at 30 June 2016

	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 other borrowing	–	20,000	–	20,000
Interest payable	–	734	–	734
	–	20,734	–	20,734

As at 31 December 2015

	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 bank loan and other borrowing	–	50,000	–	50,000
Interest payable	–	260	–	260
	–	50,260	–	50,260

24. Dividends

No dividend has been paid or declared by the Company for the six months ended 30 June 2016. During the six months ended 30 June 2015, Beijing Huaxia Lihong distributed retained profits of RMB50,000,000 to the then shareholders.

25. Events after the Reporting Period

The Company's shares have been listed on The Stock Exchange of Hong Kong Limited from 12 July 2016. Upon the completion of the listing, 100,000,000 ordinary shares were issued at a price of HK$0.98 per share for a total consideration of HK$98,000,000.

26. 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 30 August 2016.