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## **CHINA LEON INSPECTION HOLDING LIMITED**

**中国力鸿检验控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1586)**

### **SUPPLEMENTAL ANNOUNCEMENT TO THE ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017**

Reference is made to (i) the annual results announcement of China Leon Inspection Holding Limited (the “**Company**”) dated 23 March 2018 (the “**Results Announcement**”) in relation to the consolidated annual results of the Company and its subsidiaries (together as the “**Group**”) for the year ended 31 December 2017, and (ii) the annual report of the Group dated 23 March 2018 for the year ended 31 December 2017 (the “**Annual Report**”). Unless otherwise stated, capitalised terms used herein shall have the same meanings as defined in the Annual Report.

As at 31 December 2017, as disclosed in the section headed “Management Discussion and Analysis – Available-for-sale Investments” and note 23 to the audited consolidated financial statements of the Annual Report, the Group held bank financial product which amounted to available-for-sale investments of the Group totaling approximately RMB21.3 million (the “**Investment**”). In addition to the information disclosed in the Annual Report, the Company would like to provide the Shareholders and public investors with the below additional information in relation to the Investment.

#### **DETAILS OF THE INVESTMENT**

The Investment as at 31 December 2017 comprised the wealth management product named “Qian Yuan – Ri Xin Yue Yi” (“乾元 – 日鑫月溢”) (the “**Wealth Management Product**”) offered by Beijing Branch of China Construction Bank Corporation (中國建設銀行股份有限公司北京市分行) (“**China Construction Bank**”). As at 31 December 2017, the balance of the Wealth Management Product was approximately RMB21.3 million, and the fair value of the Wealth Management Product was approximately RMB21.3 million.

During the year ended 31 December 2017, the Company, through its wholly-owned subsidiary Beijing Huaxia Lihong Commodity Inspection Co., Ltd. (北京華夏力鴻商品檢驗有限公司) (“**Huaxia Lihong**”), had purchased and redeemed the Wealth Management Product from time to time, with a maximum balance during the said period of approximately RMB21.3 million. During the same period, the Company recorded gain on redemption of the Wealth Management Product of RMB242,000.

Further details regarding the terms of the Wealth Management Product are as follows:

Type of return:	Floating
Term of investment:	Open
Expected annualized return rate:	From 2.00% to 3.70%
Investment portfolio:	Money market instruments, bonds, securities and other wealth management products
Repayment arrangement of the principal and return:	Redeemable on demand

China Construction Bank is a licensed bank established under the laws of the PRC, which is principally engaged in the provision of corporate and personal banking and other financial services in the PRC. To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, China Construction Bank and its ultimate beneficial owners are third parties independent of the Company and its connected persons.

The Investment was carried out by the Company through Huaxia Lihong for treasury management purpose in order to maximise the utilisation of its surplus cash received from its business operations, with a view to achieving balanced yields whilst maintaining high liquidity and a low level of risk. Taking into account of, among others, (i) the low level of risks; (ii) the expected return rate; and (iii) the flexible repayment arrangement, the Company considers that the Investment will provide the Group with better return than deposits generally offered by commercial banks and increase the Group's overall earnings in the long run.

The Group has a prudent treasury operation to manage its investments in financial products such as the Wealth Management Product. The Group only invests 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. The Group purchases and redeems financial products multiple times over the course of a year as and when needed to meet its real-time funding requirements. The Group's risk control measures include primarily (i) selection of reputable commercial banks, (ii) selection of financial products with a focus on liquidity rather than returns, and (iii) stringent internal control procedures, such as tiered reporting system, annual budget control and periodic audits. All investment plans are subject to review and pre-approval by the general manager and the chief financial officer of the Company. The Board believes that investing in low-risk financial products helps the Group preserve the value of cash on hand with manageable risk exposure and expects to continue such investment activities in the future.

The Board confirms that the additional information stated does not affect other information contained in the Results Announcement and the Annual Report, and the contents of the Results Announcement and the Annual Report remain correct and unchanged.

By order of the Board  
**China Leon Inspection Holding Limited**  
**Li Xiangli**  
*Chairman*

Beijing, PRC, 20 April 2018

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