INTERNATIONAL ALLIANCE FINANCIAL LEASING CO., LTD.
国际友联融资租赁有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1563)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2018, the revenue amounted to approximately RMB358.1 million, representing an increase of approximately 16.0% as compared with that of approximately RMB308.7 million for the year ended 31 December 2017.

- For the year ended 31 December 2018, the profit before income tax amounted to approximately RMB62.7 million, representing an increase of approximately 20.1% as compared with that of approximately RMB52.2 million for the year ended 31 December 2017.

- For the year ended 31 December 2018, the profit for the year amounted to approximately RMB40.6 million, representing an increase of approximately 10.9% as compared with that of approximately RMB36.6 million for the year ended 31 December 2017.

- As at 31 December 2018, the total assets amounted to approximately RMB4,212.3 million, representing an decrease of approximately 11.6% as compared with that of approximately RMB4,763.5 million as at 31 December 2017.

- As at 31 December 2018, the total shareholders' equity amounted to approximately RMB942.0 million, representing an increase of approximately 3.6% as compared with that of approximately RMB909.5 million as at 31 December 2017.

- For the year ended 31 December 2018, the return on equity was approximately 4.4%.

- For the year ended 31 December 2018, the return on total assets was approximately 0.9%.

The board (the "Board") of Directors (the "Directors") of International Alliance Financial Leasing Co., Ltd. (the "Company") is pleased to present the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2018, together with the comparative figures for the year ended 31 December 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	*5*	**358,061**	308,747
Other income, gains or losses	*6*	**14,236**	12,626
Total revenue and other income, gains or losses		**372,297**	321,373
Finance cost	*7*	**(241,557)**	(203,995)
Net exchange gains/(losses)		**1,990**	(7,392)
Staff costs		**(12,635)**	(14,397)
Listing expenses		**(10,837)**	(4,525)
Other operating expenses		**(21,226)**	(22,965)
Impairment losses		**(25,349)**	(15,870)
Profit before income tax		**62,683**	52,229
Income tax expense	*8*	**(22,085)**	(15,653)
Profit for the year		**40,598**	36,576
Other comprehensive income/(expenses):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**1,899**	(734)
Total comprehensive income for the year		**42,497**	35,842
Earnings per share			
(Expressed in RMB Yuan per share)			
– Basic	*10*	**0.0404**	0.0371

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	2018 RMB'000	2017 RMB'000
Non-current assets			
Plant and equipment		**56**	124
Intangible assets		**2,484**	2,834
Finance lease receivables	*11*	**2,608,169**	3,080,912
Prepayment and other receivables	*12*	**3,750**	–
Deferred tax assets	*13*	**29,285**	29,783
		2,643,744	3,113,653
Current assets			
Finance lease receivables	*11*	**1,106,050**	1,035,272
Amounts due from related companies		**107**	102
Prepayment and other receivables	*12*	**44,326**	188,616
Bank balances		**418,043**	425,847
		1,568,526	1,649,837
Current liabilities			
Other payables and accrued expenses		**2,314**	12,069
Deposits from finance lease customers	*11*	**6,239**	21,873
Income tax payables		**4,410**	9,073
Deferred income		**13,638**	15,957
Borrowings	*14*	**724,377**	1,547,269
Bonds issued	*15*	**500,933**	668,190
		1,251,911	2,274,431
Net current assets/(liabilities)		**316,615**	(624,594)
Total assets less current liabilities		**2,960,359**	2,489,059
Capital and reserves			
Share capital		**1**	1
Reserves		**941,995**	909,495
Total equity		**941,996**	909,496
Non-current liabilities			
Deposits from finance lease customers	*11*	**158,567**	144,231
Deferred income		**15,526**	24,264
Borrowings	*14*	**1,568,270**	997,962
Bonds issued	*15*	**276,000**	413,106
		2,018,363	1,579,563
		2,960,359	2,489,059

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL INFORMATION

The Company is an exempted company with limited liability incorporated in Cayman Islands on 19 January 2015, with a registered capital of US$50,000. The registered address of the Company is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its controlling shareholder is Union Capital Pte. Ltd. ("Union Capital"), a company incorporated in Singapore. Union Capital is solely owned by Ms. Sui Yongqing. On 15 March 2019, the Company was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") with the stock code of 01563.

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in offering finance lease service.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

All the companies of the Group have adopted 31 December as their financial year end date.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

New and Amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by International Accounting Standards Board ("IASB") for the first time in the current year:

IFRS 9	Financial Instruments
Amendments IFRIC 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014-2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

In addition, the Group has applied Amendments to IFRS 9 *Prepayment Features with Negative Compensation* in advance of the effective date, i.e. 1 January 2019.

The Group had early applied IFRS15 *Revenue from Contracts with Customers* in prior year which are mandatorily effective for the Group for the annual periods beginning on 1 January 2018.

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

IFRS 9 *Financial Instruments* and the related amendments

In the current year, the Group has applied IFRS 9 *Financial Instruments*, Amendments to IFRS 9 *Prepayment Features with Negative Compensation* and the related consequential amendments to other IFRSs. IFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities and 2) expected credit losses ("ECL") for financial assets.

The Group has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9, i.e. applied the classification and measurement requirements (including impairment under ECL model) retrospectively to instruments that had not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that had already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits, without restating the comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under IAS 39 *Financial Instruments: Recognition and Measurement*.

The followings are impacts on initial application of IFRS 9 at initial recognition:

- ***Classification and measurement***

  The table below illustrates the classification and measurement of financial assets and financial liabilities and other items subject to ECL under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018.

	Original measurement category under IAS 39	**New measurement category under IFRS 9**	**Original carrying amount under IAS 39 as at 31 December 2017** *RMB'000*	**Additional loss allowance recognised under IFRS 9** *RMB'000*	**New carrying amount under IFRS 9 as at 1 January 2018** *RMB'000*
Finance lease receivables *(Note 11)*	N/A	N/A	4,116,184	(12,449)	4,103,735
Amounts due from related parties	Loans and receivables	Financial assets at amortised cost	102	–	102
Other receivables *(Note 12)*	Loans and receivables	Financial assets at amortised cost	94,385	(435)	93,950
Bank balances	Loans and receivables	Financial assets at amortised cost	425,847	–	425,847
Deposits from finance lease customers *(Note 11)*	Financial liabilities at amortised cost	Financial liabilities at amortised cost	166,104	–	166,104
Other payables	Financial liabilities at amortised cost	Financial liabilities at amortised cost	8,206	–	8,206
Borrowings *(Note 14)*	Financial liabilities at amortised cost	Financial liabilities at amortised cost	2,545,231	–	2,545,231
Bonds issued *(Note 15)*	Financial liabilities at amortised cost	Financial liabilities at amortised cost	1,081,296	–	1,081,296

The additional loss allowance recognised upon the initial application of IFRS 9 as disclosed above is resulted entirely from a change in the measurement attribute of the loss allowance relating to each financial asset. The change in measurement category of different financial assets has had no impact on their respective carrying amounts on initial application.

- ***Impairment***

The following table shows the reconciliation of the closing impairment allowance in accordance with IAS 39 as at 31 December 2017 to the opening impairment allowance determined in accordance with IFRS 9 as at 1 January 2018. Changes to the impairment allowance under IFRS 9 are due to remeasurement of impairment using the expected credit loss requirements.

	Finance lease receivables	**Other receivables**	**Deferred tax assets**	**Reserves**
Closing balance at 31 December 2017 – IAS 39	4,116,184	94,385	29,783	(909,495)
Effect arising from initial application of IFRS 9:				
Remeasurement				
Impairment under ECL model	(12,449)	(435)	2,887	9,997
Opening balance at 1 January 2018	4,103,735	93,950	32,670	(899,498)

Impacts on opening consolidated statement of financial position arising from the application of all new standards and amendments

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position had to be restated. The following table shows the adjustments recognised for each of the line items affected. Line items that were not affected by the changes have not been included.

	31 December 2017 (Audited) *RMB'000*	IFRS 9 *RMB'000*	1 January 2018 (Restated) *RMB'000*
Non-current assets			
Finance lease receivables	3,080,912	(11,089)	3,069,823
Deferred tax assets	29,783	2,887	32,670
Current assets			
Finance lease receivables	1,035,272	(1,360)	1,033,912
Prepayment and other receivables	188,616	(435)	188,181
Net current liabilities	(624,594)	(1,795)	(626,389)
Total assets less current liabilities	2,489,059	(9,997)	2,479,062
Capital and reserves			
Reserves	909,495	(9,997)	899,498

New and amendments to IFRSs in issue but not yet effective

The Group has not yet applied newly established/amended IFRSs which are related to the Group and have already been issued but not effective.

IFRS 16	Leases[1]
IFRS 17	Insurance Contracts[3]
IFRIC 23	Uncertainty over Income Tax Treatments[1]
Amendments to IFRS 3	Definition of a business[4]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1 and IAS 8	Definition of Material[5]
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures[1]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2015 – 2017 Cycle[1]

1 Effective for annual periods beginning on or after 1 January 2019.
2 Effective for annual periods beginning on or after a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2021.
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.
5 Effective for annual periods beginning on or after 1 January 2020.

Except for the new and amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to IFRSs will have no material impact on these consolidated financial statements in the foreseeable future.

IFRS 16-Leases

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede IAS 17 Leases and the related interpretations when it becomes effective.

IFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. In addition, IFRS 16 requires sale and leaseback transactions to be determined based on the requirements of IFRS 15 as to whether the transfer of the relevant asset should be accounted as a sale. IFRS 16 also includes requirements relating to subleases and lease modifications.

Distinctions of operating leases and finance leases are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents upfront prepaid lease payments as investing cash flows in relation to leasehold lands for owned use and those classified as investment properties while other operating lease payments are presented as operating cash flows. Upon application of IFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows by the Group, upfront prepaid lease payments will continue to be presented as investing or operating cash flows in accordance to the nature, as appropriate.

In contrast to the lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 2018, the Group has non-cancellable operating lease commitments of RMB7.0 million. A preliminary assessment indicates that these arrangements will meet the definition of a lease. Upon application of IFRS 16, the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases. The new requirement to recognise a right-of-use asset and a related lease liability is expected to have an impact on the amounts recognised in the Group's consolidated financial statements. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

In addition, the Group currently considers refundable rental deposits paid of RMB1.5 million as rights under leases to which IAS 17 applies. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use the underlying assets, accordingly, the carrying amounts of such deposits may be adjusted to amortised cost and such adjustments are considered as additional lease payments. Adjustments to refundable rental deposits paid would be included in the carrying amount of right-of-use assets.

Upon application of IFRS 16, the Group will apply the requirements of IFRS 15 to assess whether sale and leaseback transaction constitutes a sale. For a transfer that does not satisfy the requirements as a sale, the Group will account for the transfer proceeds as financial assets within the scope of IFRS 9. In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application will not be reassessed but the new requirements may impact the Group's future sale and leaseback transactions.

The application of new requirements may result in changes in measurement, presentation and disclosure as indicated above. The Group elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease applying IAS 17 and IFRIC 4. Therefore, the Group will not reassess whether the contracts are, or contain a lease which already existed prior to the date of initial application. In addition, the Groups elected to account for those leases which the lease term ends within 12 months of the date of initial application in the same way as short-term leases.

Furthermore, the Group elected the modified retrospective approach for the application of IFRS 16 as lessee and will recognise the cumulative effect of initial application to opening retained profits without restating comparative information.

3. KEY SOURCES OF CRITICAL ACCOUNTING JUDGEMENT AND ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These judgements, estimates and assumptions are made based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following critical judgements, estimates and assumptions are made in applying accounting policies by the Group and have significant impact on amounts recognised in consolidated financial statements:

Estimated impairment of finance lease receivables

Since the adoption of IFRS 9 on 1 January 2018, management of the Group estimates the amount of loss allowance for ECL on finance lease receivables based on the credit risk of the respective financial instrument. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

As at 31 December 2018, the carrying amount of finance lease receivables amounted to RMB3,714.2 million (net of loss allowance of RMB68.0 million).

4. SEGMENT INFORMATION

The directors of the Company, being the chief operating decision maker ("CODM"), considered that there was only one reportable operating segment, being the finance leasing business of the Group. Since the Group mainly provides finance lease services in mainland China, the operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conform with IFRSs and CODM regularly reviews the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.

Geographical information

(a) The revenues from external customers of the Group are mainly generated in mainland China.

(b) The non-current assets are mainly located in mainland China.

Information about major customers

There was no single customer who contributed 10% or more of the total revenue to the Group for the years ended 31 December 2018 and 2017.

5. REVENUE

	2018	2017
	RMB'000	*RMB'000*
Finance lease income	**354,571**	300,640
Advisory fee income *(Note)*	**3,490**	8,107
Total	**358,061**	308,747

Note: Advisory fee income were recognised at a point in time when those services were completed. The Group has no unsatisfied performance obligations of advisory service as at 31 December 2018 and 2017.

6. OTHER INCOME, GAINS OR LOSSES

	2018	2017
	RMB'000	*RMB'000*
Government grants *(Note 1)*	**7,327**	6,472
Investment income	**34**	6
Bank interest income	**567**	755
Entrusted loan income	**806**	5,117
Compensation for early termination of finance lease arrangement *(Note 2)*	**5,482**	–
Others	**20**	276
Total	**14,236**	12,626

Note 1: Government grants represent local governments' offer for the refund of value-added tax and income tax to enterprises in the finance leasing industry.

Note 2: In February 2018, a subsidiary of Nanshan Group Co., Ltd. ("Nanshan Group") early terminated a finance lease agreement which would be matured in May 2028, and agreed to pay compensation of approximately RMB5.5 million to the Group.

7. FINANCE COST

	2018	2017
	RMB'000	*RMB'000*
Interest expense on liabilities		
– Borrowings	**158,245**	121,513
– Due to related companies	**–**	18,435
– Bonds payable	**70,904**	54,067
– Imputed interest on deposits from finance lease customers	**12,408**	9,980
Total	**241,557**	203,995

8. INCOME TAX EXPENSE

	2018	2017
	RMB'000	*RMB'000*
Taxation for the year		
Current income tax		
The People's Republic of China (the "PRC") Enterprise Income Tax *(Note a)*	**18,700**	17,423
Hong Kong Profits Tax *(Note b)*	**–**	–
Income tax in other countries *(Note c, d)*	**–**	–
Prior year income tax adjustment	**–**	(70)
Deferred income tax *(Note 13)*	**3,385**	(1,700)
	22,085	15,653

(a) PRC Corporate Income Tax

The income tax provision of the Group in respect of its operations in PRC was calculated at the tax rate of 25% on the assessable profits for the reporting period, based on the existing legislation, interpretations and practices in respect thereof.

(b) Hong Kong Profits Tax

Hong Kong profit tax rate is 16.5%. No Hong Kong profits tax was provided for as there was no estimated assessable profit that was subject to Hong Kong profits tax during the reporting period.

(c) Cayman Islands Income Tax

The Company is incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax.

(d) British Virgin Islands ("BVI") Income Tax

The subsidiaries indirectly held by the Company are incorporated under the laws of BVI as an exempted company with limited liability under the Companies Law of the BVI and are not subject to BVI income tax.

9. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2018, nor has any dividend been proposed since the end of the reporting period (2017: nil).

10. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	2018	2017
	RMB'000	*RMB'000*
Profit for the year	**40,598**	36,576
Number of shares:		
Weighted average number of shares in issue *('000)*	**1,005,000**	987,087
Basic earnings per share *(RMB Yuan)*	**0.0404**	0.0371

Pursuant to written resolutions of shareholders of the Company passed and presented in a meeting of the directors of the Company on 20 February 2019, and conditional on the share premium account of the Company being credited with the proceeds from the Global Offering, US$877.491009 was capitalised from the share premium account of the Company and applied in paying up in full at par a total of 877,491,009 shares for the allotment and issue to the existing shareholders of the Company (the "Capitalisation Issue").

The calculation of basic earnings per share during the years ended 31 December 2018 and 2017 are based on the assumption that the Capitalisation Issue had been effective throughout both years.

On 6 April 2017, the Company issued and allotted 8,731,913 Series B shares to Design Time Limited.

On 13 April 2017, the Company issued and allotted 1,130,020 additional Series A shares to PA Investor. The number of shares issued during 2017 has been retrospectively adjusted for the issue as such change in the number of shares issued was without a corresponding change in resources.

During the years ended 31 December 2018 and 2017, there were no potential ordinary shares outstanding. Accordingly, no diluted earnings per share is presented.

11. FINANCE LEASE RECEIVABLES

(1) The minimum lease receivables are set out below:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Not later than one year	**1,392,374**	1,414,530
Later than one year and not later than five years	**3,020,820**	3,174,564
Later than five years	**12,220**	359,345
Gross amount of finance lease receivables	**4,425,414**	4,948,439
Less: Unearned finance income	**(643,197)**	(798,642)
Present value of finance lease receivables	**3,782,217**	4,149,797
Represented by:		
Not later than one year	**1,130,439**	1,043,726
Later than one year and not later than five years	**2,639,843**	2,773,295
Later than five years	**11,935**	332,776
Subtotal	**3,782,217**	4,149,797
Less: Allowances for impairment losses	**(67,998)**	(33,613)
Carrying amount of finance lease receivables	**3,714,219**	4,116,184
Analysed for reporting purposes as:		
Current assets	**1,106,050**	1,035,272
Non-current assets	**2,608,169**	3,080,912
Total	**3,714,219**	4,116,184

(2) Movements of allowances for impairment losses on finance lease receivables are as follows:

	For the year ended 31 December 2018				
	Individual provisions 12-month ECL	**Individual Provisions lifetime ECL not credit-impaired**	**Individual provisions lifetime ECL credit-impaired**	**Collective provisions under IAS 39**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2017	–	–	–	**33,613**	**33,613**
Adjustments for adoption of new accounting standards *(Note a)*	**7,485**	**38,577**	–	**(33,613)**	**12,449**
As at 1 January 2018 – As Adjusted	**7,485**	**38,577**	–	–	**46,062**
Changes due to finance lease receivables recognised in the opening balance that have:					
– transferred to Lifetime ECL not credit-impaired	**(1,169)**	**1,169**	–	–	–
– transferred to Lifetime ECL credit-impaired	–	**(14,260)**	**14,260**	–	–
Provided for the year *(Note b)*	**3,169**	**23,553**	**19,865**	–	**46,587**
Reversal for the year *(Note b)*	**(2,665)**	**(18,816)**	–	–	**(21,481)**
Write-offs	–	–	**(3,406)**	–	**(3,406)**
Foreign currency translation	**37**	**199**	–	–	**236**
Balance at end of the year	**6,857**	**30,422**	**30,719**	–	**67,998**
Expected loss rate	**0.23%**	**4.51%**	**28.34%**		**1.80%**

	For the year ended 31 December 2017
	RMB'000
At beginning of the year	19,745
Provided for the year	18,645
Reversal for the year	(4,577)
Foreign currency translation	(200)
At end of the year	33,613

Note a: Following the adoption of IFRS 9 on 1 January, 2018, the impairment loss has been assessed using ECL method, with no restatement to prior period comparatives. Information on the adoption of IFRS 9 are set out in Note 2.

Note b: There has been no change in the estimation techniques or significant assumptions made during the current year in assessing the loss allowance for the finance lease receivables.

(3) The following is a credit quality analysis of finance lease receivables. In the event that an instalment repayment of a finance lease receivables is past due, the entire outstanding balance of the finance lease receivables is classified as past due.

	As at 31 December 2017 *RMB'000*
Neither past due nor impaired	4,048,249
Past due but not impaired	101,548
Subtotal	4,149,797
Less:	
Collectively assessed allowance under IAS39	(33,613)
Net finance lease receivables	4,116,184

Upon the adoption of IFRS 9, according to the change in the level of credit risk compared with the level at initial adoption, finance lease receivables are classified into 12-month ECL, lifetime ECL not credit-impaired and lifetime ECL credit-impaired.

	Restated balance at 1 January 2018			**As at 31 December 2018**		
	Present value of finance lease receivables *RMB'000*	**Expected credit losses** *RMB'000*	**Carrying amount** *RMB'000*	**Present value of finance lease receivables** *RMB'000*	**Expected credit losses** *RMB'000*	**Carrying amount** *RMB'000*
12-month ECL	3,683,265	(7,485)	3,675,780	2,999,302	(6,857)	2,992,445
Lifetime ECL not credit-impaired	466,532	(38,577)	427,955	674,518	(30,422)	644,096
Lifetime ECL credit-impaired	–	–	–	108,397	(30,719)	77,678
Total	4,149,797	(46,062)	4,103,735	3,782,217	(67,998)	3,714,219

The followings is the present value of the past due finance lease receivables:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 30 days	**379,567**	101,548
Over 30 days and within 90 days *(Note a)*	**125,946**	–
Over 90 days *(Note b)*	**257,728**	–
Total	**763,241**	101,548

Note a: The Group presumes that the credit risk on a finance lease receivable has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Group has transferred the 12-month expected credit losses of finance lease receivables into lifetime ECL not credit-impaired when contractual payments are past due more than 30 days and within 90 days.

Note b: When contractual payments are past due more than 90 days, the Group comprehensively considers the value of underlying assets, current and forecasts of general economic conditions of the industry in which the lessees operate and assessment of the ability of the lessees to fulfill their contractual cash flow obligations, to determine whether the finance lease receivables are credit-impaired. The Group has transferred the lifetime ECL not credit-impaired finance lease receivables into lifetime ECL credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that finance lease receivables have occurred.

(4) The Group entered into sale and repurchase agreements or clauses with certain counterparties with respect to some of the Group's finance lease receivables, and as a result recognised secured and unguaranteed borrowings and bonds issued. The carrying amounts of such finance lease receivables were approximately RMB2,322.6 million as at 31 December 2018 (2017: RMB2,150.5 million). The details of such finance lease receivables are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
With secured and unguaranteed borrowings issued	**955,288**	538,423
With bonds issued	**1,367,340**	1,612,046
Total	**2,322,628**	2,150,469

The underlying assets at original cost of approximately USD115.8 million (equivalent to approximately RMB794.6 million) were pledged as collateral for the Group's secured and guaranteed borrowings as at 31 December 2018 (2017: USD115.8 million (equivalent to approximately RMB803.3 million)).

(5) Deposits from finance lease customers are used for security purposes. Deposits from finance lease customers are calculated and collected based on certain percentage of entire value of the lease contract, and are refundable to customers in full by end of the lease period according to the terms of the lease contracts. When the lease contract expires, the lessor must return the full lease deposits to the lessee. The balance of deposits from finance lease customers can also be used to settle outstanding lease payments for the corresponding lease contract.

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
The amounts of deposits from finance lease customers	**164,806**	166,104
Analysed for reporting purposes as:		
Current liabilities	**6,239**	21,873
Non-Current liabilities	**158,567**	144,231
Total	**164,806**	166,104

(6) As at 31 December 2018 and 2017, the annual internal rate of return and average yield of finance lease receivables are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Annual internal rate of return	**6.13%~12.55%**	5.00%~12.41%
Average annual internal rate of return	**8.94%**	7.83%

(7) As at 31 December 2018 and 2017, the carrying amounts of floating rate of return finance lease receivables and fixed rate of return finance lease receivables are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Floating rate of return	**3,307,591**	3,465,632
Fixed rate of return	**406,628**	650,552
Total	**3,714,219**	4,116,184

The floating rates of return of finance lease receivables were with reference to the benchmark interest rate of the People's Bank of China ("PBOC Rate") or the London Interbank Offered Rate ("LIBOR"). The rates of return of finance lease receivables were adjusted periodically with reference to the PBOC Rate or LIBOR.

12. PREPAYMENT AND OTHER RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Deferred issue costs *(Note)*	**8,604**	3,480
Deductible value-added tax	**22,525**	90,369
Aircraft maintenance expense paid on behalf of a customer	**9,757**	8,364
Entrusted loan receivables	**–**	87,030
Prepaid issue costs and listing expenses	**–**	364
Others	**10,565**	1,671
Subtotal	**51,451**	191,278
Less: Allowances for impairment losses	**(3,375)**	(2,662)
Total	**48,076**	188,616
Analysed for reporting purposes as:		
Current assets	**44,326**	188,616
Non-current assets	**3,750**	–
Total	**48,076**	188,616

Note: The costs relating to the issuance of new shares will be allocated to equity after listing.

Movements of allowances for impairment losses are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
At beginning of the year	**2,662**	876
Adjustments for adoption of new accounting standards *(Note 2)*	**435**	–
At beginning of the year – as adjusted	**3,097**	876
Provided for the year	**243**	1,802
Foreign currency translation	**35**	(16)
At end of the year	**3,375**	2,662

The Group applies the ECL prescribed by IFRS 9 since 1 January 2018. There has been no change in the estimation techniques or significant assumptions made for the year ended 31 December 2018 in assessing the loss allowance for the other receivable.

13. DEFERRED TAX ASSETS

For presentation purpose, certain deferred tax assets and deferred tax liabilities have been offset. The following is an analysis of the deferred tax balances for financial reporting purposes:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Deferred tax assets	**29,285**	29,783
	29,285	29,783

Movements in balances of deferred tax assets/liabilities

	2018	2017
	RMB'000	*RMB'000*
Balance at beginning of the year	**29,783**	28,083
Adjustments for adoption of new accounting standards *(Note 2)*	**2,887**	–
(Charge)/Credit to profit or loss	**(3,385)**	1,700
Balance at end of the year	**29,285**	29,783

	Deductible/(Taxable) temporary difference As at 31 December		**Deferred tax assets/ (liabilities) As at 31 December**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Allowance for impairment	**65,704**	32,265	**16,426**	8,066
Unearned finance lease income	**48,340**	85,073	**12,085**	21,268
Accrued interest expenses	**14,345**	11,125	**3,586**	2,781
Deferred income from finance lease	**(15,801)**	(12,997)	**(3,950)**	(3,249)
Deductible losses	**4,555**	3,667	**1,138**	917
Total	**117,143**	119,133	**29,285**	29,783

Unrecognised deductible temporary differences

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Allowance for impairment	**606**	388
Potential tax benefit at 25% for PRC entities	**–**	–
Potential tax benefit at 16.5% for Hong Kong entity	**100**	64
Total	**100**	64

14. BORROWINGS

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Secured and guaranteed borrowings [1]	**402,011**	429,624
Secured and unguaranteed borrowings [2]	**848,126**	611,916
Unsecured and unguaranteed borrowings	**1,042,510**	1,503,691
Total	**2,292,647**	2,545,231
Represented by:		
Borrowing from financial institutions		
– Banks	**788,956**	1,212,945
Borrowing from other institutions		
– Entrusted loans	**1,503,691**	1,332,286
Total	**2,292,647**	2,545,231
Represented by:		
Carrying amount repayable:		
Within one year	**724,377**	1,547,269
More than one year, but not exceeding two years	**413,809**	516,374
More than two years, but not exceeding five years	**1,154,461**	314,751
More than five years	**–**	166,837
	2,292,647	2,545,231
Less: amounts under current liabilities	**724,377**	1,547,269
Non-current liabilities	**1,568,270**	997,962

(1) Secured and guaranteed borrowings

Secured and guaranteed borrowings were secured by underlying assets of the Group as detailed in Note 11, and were also guaranteed by Nanshan Group.

(2) Secured and unguaranteed borrowings

As at 31 December 2018, the Group's secured and unguaranteed borrowings of RMB848.1 million (31 December 2017: RMB611.9 million) represented the Group's repurchase agreements with certain counterparties to sell Group's finance lease receivables as detailed in Note 11.

(3) The exposure of the Group's remaining amounts of fixed-rate borrowings and the contractual maturity dates are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Fixed-rate borrowings:		
Within one year	**560,000**	1,430,000
More than one year, but not exceeding two years	**331,000**	400,000
More than two years, but not exceeding five years	**995,350**	278,999

In addition, the Group's variable-rate borrowing interest rate is based on inter-bank offer rates including LIBOR.

The ranges of effective interest rates (which approximate to contractual interest rates) on the Group's borrowings are as follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Effective interest rate		
Fixed-rate borrowing:	**4.72%-8.50%**	4.72%-7.54%
Floating-rate borrowing:	**3-month LIBOR+3.25%~3.33%**	3-month LIBOR+3.25%~3.33%

15. BONDS ISSUED

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Asset-backed securities		
– Asset-backed Nanshan Leasing of phase 1	**–**	58,961
– Asset-backed Nanshan Leasing of phase 2	**63,096**	219,244
– Asset-backed Nanshan Leasing of No.2	**132,910**	177,217
– Asset-backed Nanshan Leasing of phase 3	**215,639**	625,874
– Asset-backed Nanshan Leasing of No.1	**365,288**	–
Total	**776,933**	1,081,296
Represented by:		
Carrying amount repayable:		
Within one year	**500,933**	668,190
More than one year, but not exceeding two years	**87,000**	413,106
More than two years, but not exceeding five years	**189,000**	–
	776,933	1,081,296
Analysed for the purpose of reporting:		
Current liabilities	**500,933**	668,190
Non-current liabilities	**276,000**	413,106
	776,933	1,081,296

On 28 April 2018, Nanshan Financial Leasing (Tianjin) Co., Ltd. ("Nanshan Leasing") issued asset-backed securities with two tranches, namely Asset-backed Nanshan Leasing of No. 1: senior tranche with principal amount of RMB400.0 million, and the principal amount is repaid by instalments; junior tranche with principal amount of RMB20.0 million. Nanshan Leasing holds all junior tranche asset-backed securities.

Details of outstanding bonds issued as at 31 December 2018 are as follows:

Name of products with priority	**Issuing size** *(RMB'000)*	**Value date**	**Maturity date**	**Expected rate of return**
Nanshan Phase 2	30,000	08/09/2016	31/03/2019	5.1%
Nanshan Phase 2	34,000	08/09/2016	30/06/2019	5.1%
Nanshan Phase 3	113,752	21/08/2017	15/01/2019	6.6%
Nanshan Phase 3	65,340	21/08/2017	15/04/2019	6.9%
Nanshan Phase 3	33,902	21/08/2017	15/07/2019	7.2%
Nanshan No.2	13,213	03/08/2017	01/02/2019	7.0%
Nanshan No.2	8,889	03/08/2017	02/05/2019	7.0%
Nanshan No.2	110,592	03/08/2017	01/08/2019	7.0%
Nanshan No.1	42,000	28/04/2018	20/04/2019	7.8%
Nanshan No.1	42,000	28/04/2018	20/10/2019	7.8%
Nanshan No.1	43,000	28/04/2018	20/04/2020	7.8%
Nanshan No.1	44,000	28/04/2018	20/10/2020	7.8%
Nanshan No.1	45,000	28/04/2018	20/04/2021	7.8%
Nanshan No.1	46,000	28/04/2018	20/10/2021	7.8%
Nanshan No.1	47,000	28/04/2018	20/04/2022	7.8%
Nanshan No.1	34,000	28/04/2018	20/10/2022	7.8%
Nanshan No.1	17,000	28/04/2018	30/12/2022	7.8%
	769,688			

On 3 August 2017, Nanshan Leasing issued asset-backed securities with two tranches, namely, Asset-backed Nanshan Leasing of No.2: senior tranche with the principal amount of RMB400.0 million, and the principal amount is repaid by instalments; junior tranche with the principal amount of RMB21.6 million. Nanshan Leasing holds part of senior tranche and all junior tranche asset-backed securities.

On 21 August 2017, Nanshan Leasing issued asset-backed securities with two tranches, namely, Asset-backed Nanshan Leasing of phase 3: senior tranche with the principal amount of RMB705.0 million, and the principal amount is repaid by instalments; junior tranche with the principal amount of RMB166.0 million. Nanshan Leasing holds all junior tranche asset-backed securities.

Details of outstanding bonds issued as at 31 December 2017 are as follows:

Name of products with priority	Issuing size *(RMB'000)*	Value date	Maturity date	Expected rate of return
Nanshan Phase 1	60,000	10/09/2015	08/07/2018	6.9%
Nanshan Phase 2	34,000	08/09/2016	31/03/2018	4.6%
Nanshan Phase 2	47,000	08/09/2016	30/06/2018	4.7%
Nanshan Phase 2	33,000	08/09/2016	30/09/2018	5.1%
Nanshan Phase 2	45,000	08/09/2016	31/12/2018	5.1%
Nanshan Phase 2	30,000	08/09/2016	31/03/2019	5.1%
Nanshan Phase 2	34,000	08/09/2016	30/06/2019	5.1%
Nanshan No.2	13,163	03/08/2017	14/02/2018	7.0%
Nanshan No.2	8,785	03/08/2017	17/05/2018	7.0%
Nanshan No.2	13,279	03/08/2017	14/08/2018	7.0%
Nanshan No.2	8,947	03/08/2017	14/11/2018	7.0%
Nanshan No.2	13,144	03/08/2017	21/02/2019	7.0%
Nanshan No.2	9,104	03/08/2017	15/05/2019	7.0%
Nanshan No.2	110,102	03/08/2017	02/08/2019	7.0%
Nanshan Phase 3	119,788	21/08/2017	15/01/2018	6.1%
Nanshan Phase 3	82,127	21/08/2017	15/04/2018	6.2%
Nanshan Phase 3	122,008	21/08/2017	15/07/2018	6.4%
Nanshan Phase 3	83,638	21/08/2017	15/10/2018	6.5%
Nanshan Phase 3	113,752	21/08/2017	15/01/2019	6.6%
Nanshan Phase 3	65,340	21/08/2017	15/04/2019	6.9%
Nanshan Phase 3	33,902	21/08/2017	15/07/2019	7.2%
	1,080,079			

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 15 March 2019 (the "Listing"). During the year ended 31 December 2018, the Group's operating results recorded a stable growth and the Group's revenue was mainly attributable to the finance lease income and advisory fee income, which accounted for approximately 99.0% and 1.0% of the total revenue of the Group, respectively.

The finance leasing industry in the People's Republic of China (the "PRC") has experienced tremendous growth for the past few years. Finance lease receivables increased from approximately RMB2.1 trillion by the end of 2013 to approximately RMB6.1 trillion by the end of 2017, with a compound annual growth rate of approximately 30.6%. It is estimated that the finance lease receivables in 2018 would also increase as compared with 2017. As more financial support is required for the development of the healthcare, aviation and public infrastructure industries in the future, the Directors expected that the Group's business of these areas will maintain a continuous and stable growth. The Group's major customers of finance leasing services and advisory services consist of public hospitals, airline companies and companies providing public infrastructure services, all of which shall meet certain qualifications.

Since its establishment, the Company has provided finance leasing services to more than 110 customers, covering 17 provinces, two autonomous regions and one municipality in the PRC, and some of its customers were incorporated in Singapore and the British Virgin Islands. The Directors believe that, based on the connections, knowledge and experience the Group has accumulated in the healthcare, aviation and public infrastructure industries, these industries could provide significant expansion opportunities to the Group's business.

In the past, the Group funded its business operations through a combination of internal capital and different external funding channels. The Directors believe that access to diversified and low-cost financing channel is vitally important for a company's success in the finance leasing industry.

FINANCIAL REVIEW

Revenue

The Group's revenue mainly derived from (i) finance lease income; and (ii) advisory fee income arising from advisory services provided to its finance lease customers. The Group's finance lease offerings included sale and leaseback and direct finance leasing.

Revenue increased by approximately 16.0% from approximately RMB308.7 million for the year ended 31 December 2017 to approximately RMB358.1 million for the year ended 31 December 2018. Such increase was mainly due to the Group's stable business development in 2018 and the increase in the yield brought by the new finance lease business entered into between the Group and its customers. For the year ended 31 December 2018, its finance lease income amounted to approximately RMB354.6 million (2017: approximately RMB300.6 million).The Group's advisory services primarily consist of finance lease advisory services. For the year ended 31 December 2018, the advisory fee income amounted to approximately RMB3.5 million (2017: approximately RMB8.1 million).

Other income, gains or losses

Other income, gains or losses which primarily derived from (i) government grants; (ii) bank interest income; (iii) entrusted loan income; and (iv) compensation for early termination of finance lease arrangement, increased by approximately RMB1.6 million from approximately RMB12.6 million for the year ended 31 December 2017 to approximately RMB14.2 million for the year ended 31 December 2018.

In particular, (i) the government grants, which is subject to change depending on the tax payment every year, increased by approximately RMB0.8 million from approximately RMB6.5 million for the year ended 31 December 2017 to approximately RMB7.3 million for the year ended 31 December 2018; (ii) the bank interest income decreased by approximately RMB0.2 million from approximately RMB0.8 million for the year ended 31 December 2017 to approximately RMB0.6 million for the year ended 31 December 2018; (iii) the entrusted loan income decreased by approximately RMB4.3 million from approximately RMB5.1 million for the year ended 31 December 2017 to approximately RMB0.8 million for the year ended 31 December 2018 and such income has been settled; and (iv) the compensation for early termination of finance lease arrangement of approximately RMB5.5 million was received due to an early settlement of finance lease business occurred in the first quarter of 2018.

Staff costs

Staff costs primarily included employee salaries and related costs of other benefits. The staff costs decreased by approximately RMB1.8 million from approximately RMB14.4 million for the year ended 31 December 2017 to approximately RMB12.6 million for the year ended 31 December 2018, which was resulted from the decrease in number of employees.

Other operating expenses

Other operating expenses primarily included rental expenses, entertainment expenses, legal and professional fees and travelling expenses. For the year ended 31 December 2018, the other operating expenses amounted to approximately RMB21.2 million (2017: approximately RMB23.0 million), representing approximately 5.9% of the total revenue of the Group (2017: approximately 7.4%).

Listing expenses

For the year ended 31 December 2018, the listing expenses amounted to approximately RMB10.8 million (2017: approximately RMB4.5 million). Such expenses are non-recurring in nature.

Finance cost

Finance cost primarily derived from (i) borrowings; (ii) amount due to related companies; (iii) bonds payable; and (iv) imputed interest on deposits from finance lease customers. The finance cost increased by approximately 18.4% from approximately RMB204.0 million for the year ended 31 December 2017 to approximately RMB241.6 million for the year ended 31 December 2018.

In particular, (i) the borrowing costs increased by approximately 30.2% from approximately RMB121.5 million for the year ended 31 December 2017 to approximately RMB158.2 million for the year ended 31 December 2018, which was due to the increase in the cost of capital in domestic capital market; (ii) the costs of due to related companies decreased from approximately RMB18.4 million for the year ended 31 December 2017 to nil for the year ended 31 December 2018, which was due to the full settlement of all the amounts due to related companies by the Group in the middle of 2017; (iii) the costs of bonds payable increased by approximately 31.1% from approximately RMB54.1 million for the year ended 31 December 2017 to approximately RMB70.9 million for the year ended 31 December 2018, which was due to more debt financing raised by the Group; and (iv) the Group incurred imputed interest on deposits from finance lease customers of approximately RMB12.4 million in 2018, representing an increase of approximately 24.0% from approximately RMB10.0 million in 2017, due to the increase of the Group's finance leasing business in 2018.

Profit for the year

Profit for the year increased by approximately RMB4.0 million or 10.9% from approximately RMB36.6 million for the year ended 31 December 2017 to approximately RMB40.6 million for the year ended 31 December 2018. The net profit margin for the year ended 31 December 2018 remained relatively stable at 11.3% as compared to that of 11.8% for the year ended 31 December 2017.

Dividend

The Board did not recommend the payment of any final dividend for the year ended 31 December 2018 (2017: Nil).

Liquidity, financial resources and capital resources

As at 31 December 2018, the cash and cash equivalents amounted to approximately RMB391.3 million (31 December 2017: approximately RMB425.8 million). Working capital (current assets less current liabilities) and the total equity of the Group amounted to approximately RMB316.6 million (31 December 2017: net current liability of approximately RMB624.6 million) and approximately RMB942.0 million (31 December 2017: approximately RMB909.5 million), respectively.

As at 31 December 2018, the Group's borrowings due within one year amounted to approximately RMB724.4 million (31 December 2017: approximately RMB1,547.3 million) and the Group's borrowings due after one year amounted to approximately RMB1,568.3 million (31 December 2017: approximately RMB998.0 million).

As at 31 December 2018, the Group's bonds issued due within one year amounted to approximately RMB500.9 million (31 December 2017: approximately RMB668.2 million) and the Group's bonds issued due after one year amounted to approximately RMB276.0 million (31 December 2017: approximately RMB413.1 million).

As at 31 December 2018, the gearing ratio (dividing the total indebtedness by total equity and indebtedness as at the end of the period) was approximately 76.5% (31 December 2017: approximately 79.9%). Such decrease was mainly due to the decrease in the borrowings and bonds issued based on the scale of business.

Finance lease receivables

Finance lease receivables consisted of (i) gross amount of finance lease receivables; (ii) unearned finance income; and (iii) allowances for impairment losses. Their respective carrying amounts of the finance lease receivables amounted to (i) approximately RMB4,425.4 million (ii) approximately RMB643.2 million (iii) approximately RMB68.0 million, which decreased by approximately 9.8% from approximately RMB4,116.2 million for the year ended 31 December 2017 to approximately RMB3,714.2 million for the year ended 31 December 2018, due to the increase of number of settled projects in 2018.

The allowances for impairment losses increased by approximately 102.4% from approximately RMB33.6 million for the year ended 31 December 2017 to approximately RMB68.0 million for the year ended 31 December 2018. The allowances increased in 2018 amounted to approximately RMB34.4 million, representing an increase of approximately 147.5% as compared to that of approximately RMB13.9 million in 2017, which was due to the fact that IFRS 9 applied since 1 January 2018 permitted transition relief not to restate the financial information for 2017 and the application of such new standard significantly increased the allowances for impairment losses of the Group in 2018.

Finance lease commitments

As at 31 December 2018, the Group had no finance lease commitments (31 December 2017: approximately RMB97.5 million).

Employees and remuneration policy

As at 31 December 2018, the Group employed 41 full time employees (31 December 2017: 43) for its principal activities. Employees' benefits expenses (including Directors' emoluments) amounted to approximately RMB12.6 million for the year ended 31 December 2018 (2017: approximately RMB14.4 million). The Group recognises the importance of retaining high calibre and competent staff and continues to provide remuneration packages to employees with reference to the performance of the Group, the performance of individuals and prevailing market rates. Other various benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company.

RISK MANAGEMENT

As a finance leasing company serving different industries, the Group assumes various risks in its business operations, including credit, liquidity, market, compliance, legal, operational and reputational risks, among which credit risk is its primary exposure. The Group has developed a comprehensive risk management system and controls risks through measures including due diligence on customers, independent information review and a multi-level approval process.

The Group strives to balance business development, risk management and operation efficiency. The Group has established comprehensive risk management and internal control processes to deal with various risks relating to its business. Its risk management processes are tailored to the characteristics of its business operations, with a focus on managing risks through comprehensive customer due diligence, independent information review and multi-level approval process. Its risk management processes also include a continuous review process after the finance leasing is approved. The asset management team reviews the leased assets on a regular basis, including performing on-site visits to inspect the status of the leased asset. This continuous review process enables the Group to identify any potential default of its customers and take remedial actions to enhance the security of its assets at an early stage.

The Group measures and monitors the asset quality of its finance lease receivables by voluntarily adopting a five-category classification with reference to guidelines promulgated by the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) relating to asset quality for financial institutions under its regulation as follows:

Pass. There is no sufficient reason to doubt that the lease payments will not be paid by the lessee in full on a timely basis. Pass asset has certain characteristics, for example, the lease payments have always been repaid in full on a timely manner or overdue for less than or equal to 90 days.

Special Mention. Even though the lessee has been able to pay the lease payments in a timely manner, there are some factors that could adversely affect its ability to pay, such as that the financial position of the lessee has worsened or its net cash flow has become negative, but there are sufficient guarantees or collaterals underlying the finance lease agreement. Special Mention asset has certain characteristics, for example, the payments have been overdue for more than 90 days but less than or equal to 150 days.

Substandard. The lessee's ability to pay is in obvious question as it is unable to make its payments in full with its operating revenue, and the Group is likely to incur losses notwithstanding the enforcement of any guarantees or collaterals underlying the finance lease agreement. Substandard asset has certain characteristics, for example, the lease payments have been overdue for more than 150 days but less than or equal to 210 days.

Doubtful. The lessee's ability to pay is in absolute question as it is unable to make lease payments in full, and the Group is likely to incur significant losses notwithstanding the enforcement of any guarantees or collaterals underlying the finance lease agreement. Doubtful asset has certain characteristics, for example, the lease payments have been overdue for more than 210 days but less than or equal to 270 days.

Loss. After taking all possible steps or going through all necessary legal procedures, lease payments remain overdue or only a very limited portion has been recovered. Loss asset has certain characteristics, for example, the lease payments have been overdue for more than 270 days.

The Group assesses its provisions based on the relevant requirements of IFRS and its internal provisioning procedures and guidelines upon consideration of factors such as the nature and characteristics of its industry-specific customers, credit record, economic conditions and trends, history of write-offs, payment delinquencies, the value of the assets underlying the leases and the availability of collateral or guarantees.

CONTINGENT LIABILITIES

As at 31 December 2018, the Group did not have any material contingent liabilities (31 December 2017: Nil).

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on 15 March 2019. The actual net proceeds from the global offering of the 495,000,000 new shares of the Company (the "Global Offering") were approximately HK$354.3 million. The Group intended to use the net proceeds from the Global Offering to achieve future plans mainly in the following manner: (i) 50%, or approximately HK$177.2 million, to apply towards its business operation expansion in healthcare industry; (ii) 40%, or approximately HK$141.7 million to apply towards its business operation expansion in aviation and public infrastructure industries; and (iii) the remaining balance of 10%, or approximately HK$35.4 million, to apply towards the Group's general working capital.

Since the date of Listing up to the date of this announcement, the Company has not utilised any of the net proceeds raised from the Global Offering.

SHARE OPTION SCHEME

On 20 February 2019, the Company conditionally approved and adopted the share option scheme (the "Share Option Scheme") in accordance with the provision of Chapter 17 of the Listing Rules.

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of our Group and to promote the success of the business of the Group.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, including, where required under the Listing Rules, the independent non-executive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of options to Directors, chief executives and substantial shareholders of the Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of an option to any participant as the Board may determine. The number of Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme is 150,000,000 in total.

There were no share options outstanding under the Share Option Scheme nor were any share options granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme for the period from the date of Listing up to the date of this announcement.

EVENTS AFTER THE REPORTING PERIOD

The shares of the Company were listed on the Main Board of the Stock Exchange on 15 March 2019 by way of Global Offering. Save as disclosed in this announcement, the Group does not have any material subsequent event after 31 December 2018 up to the date of this announcement.

OUTLOOK AND PLANS

In 2018, as turbulence hitting the economic globalisation and the volatility of the global financial markets, the economic growth was under a new round of downward pressure. In response to the changes in external business environment, the Group steadily promoted its business development based on the principle of risk prevention and asset monitoring reinforcement with focus on strengthening internal management and improving various systems.

Looking ahead to 2019, the policy orientation featuring with strict supervision and slack credit, the deepen reform of interest rate liberalisation and the continual development of the exchange rate formation mechanism will have a significant impact on the competitive structure and profitability of the finance leasing industry. The Board will strive for the steady and long-term sustainable development of the Group by continually improving the corporate governance mechanism, increasing the risk control level, enhancing asset management capability and further forging a professional and well-qualified talent team to seize the development opportunity and develop new customers while also paying attention to maintain the relationship with existing customers and exploring deepen cooperation with quality customers.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules governing the listing of securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"). For the period from the date of Listing up to the date of this announcement, the Company had complied with all code provisions in the CG Code and had adopted most of the recommend best practices set out in the CG Code.

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

For the period from the date of Listing up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group's financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors. The members of the Audit Committee are Mr. Liu Xuewei, Mr. Liu Changxiang and Mr. Jiao Jian. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2018.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the annual results announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with International Standards on Auditing, International Standards on Review Engagements or International Standards on Assurance Engagements issued by the International Auditing and Assurance Standard Board and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the annual results announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the "Model Code"). The Company will periodically issue notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has made specific enquiry of the Directors and all the Directors confirmed that they have complied with the Model Code throughout the period from its Listing on 15 March 2019 up to the date of this announcement.

PUBLICATION OF INFORMATION

This announcement is published on the websites of the Company (www.iaf-leasing.com) and the Stock Exchange (www.hkexnews.hk), respectively. The annual report of the Company for the financial year ended 31 December 2018 will be despatched to shareholders of the Company and available on the above websites in due course.

By order of the Board
International Alliance Financial Leasing Co., Ltd.
Song Jianpeng
Chairman and non-executive Director

Hong Kong, 29 March 2019

As at the date of this announcement, the Board comprises Mr. Li Luqiang, Mr. Li Zhixuan and Ms. Xu Juan as executive Directors; Mr. Song Jianpeng (Chairman), Mr. Chen Chih Yung and Mr. Gao Guiwei as non-executive Directors; and Mr. Liu Changxiang, Mr. Liu Xuewei and Mr. Jiao Jian as independent non-executive Directors