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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2019, the revenue amounted to approximately RMB142.4 million, representing a decrease of approximately 18.7% as compared with that of approximately RMB175.1 million for the six months ended 30 June 2018.

- For the six months ended 30 June 2019, the loss before income tax amounted to approximately RMB4.4 million, representing an increase of loss approximately 115.1% as compared with the profit before income tax of approximately RMB29.1 million for the six months ended 30 June 2018.

- For the six months ended 30 June 2019, the loss for the period amounted to approximately RMB3.3 million, representing an increase of loss approximately 117.3% as compared with the profit of approximately RMB19.1 million for the six months ended 30 June 2018.

- As at 30 June 2019, the total assets amounted to approximately RMB3,791.1 million, representing a decrease of approximately 23.5% as compared with that of approximately RMB4,956.1 million as at 30 June 2018.

- As at 30 June 2019, the total shareholders' equity amounted to approximately RMB1,262.0 million, representing an increase of approximately 37.0% as compared with that of approximately RMB920.9 million as at 30 June 2018.

- For the six months ended 30 June 2019, the return on equity was approximately -0.6%.

- For the six months ended 30 June 2019, the return on total assets was approximately -0.2%.

The board (the "**Board**") of Directors (the "**Directors**") of International Alliance Financial Leasing Co., Ltd. (the "**Company**") is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2019, together with the comparative figures for the six months ended 30 June 2018 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June

		For the six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	*5*	**142,395**	175,134
Other income, gains or losses	*6*	**890**	6,618
Total revenue and other income, gains or losses		**143,285**	181,752
Finance cost	*7*	**(108,445)**	(117,610)
Net exchange gains/(losses)		**2,216**	(1,437)
Staff costs		**(6,734)**	(6,023)
Listing expenses		**(10,057)**	(7,303)
Other operating expenses		**(9,958)**	(9,982)
Impairment losses under expected credit loss model, net of reversal	*14*	**(14,686)**	(10,316)
(Loss)/profit before income tax	*8*	**(4,379)**	29,081
Income tax expense	*9*	**1,129**	(9,953)
(Loss)/profit for the period		**(3,250)**	19,128
Other comprehensive (expenses)/income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**(15)**	2,234
Total comprehensive (expenses)/income for the period		**(3,265)**	21,362
(Loss)/earnings per share			
(Expressed in RMB Yuan per share)			
– Basic	*11*	**(0.0025)**	0.0190
– Diluted	*11*	**(0.0025)**	N/A

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June

	Notes	**As at 30 June 2019** *RMB'000* **(Unaudited)**	As at 31 December 2018 *RMB'000* (Audited)
Non-current assets			
Plant and equipment	*12*	**44**	56
Right-of-use assets	*12*	**3,990**	–
Intangible assets		**2,308**	2,484
Finance lease receivables	*13*	**1,905,226**	2,608,169
Prepayment and other receivables		**4,700**	3,750
Deferred tax assets		**35,396**	29,285
		1,951,664	2,643,744
Current assets			
Finance lease receivables	*13*	**1,079,917**	1,106,050
Amounts due from related companies		**60,205**	107
Prepayment and other receivables		**32,689**	44,326
Restricted deposits		**27,405**	26,773
Bank balances		**639,201**	391,270
		1,839,417	1,568,526
Current liabilities			
Other payables and accrued expenses		**1,048**	2,314
Deposits from finance lease customers		**28,356**	6,239
Income tax payables		**4,710**	4,410
Lease liabilities		**3,845**	–
Deferred income		**10,472**	13,638
Borrowings	*15*	**539,723**	724,377
Bonds issued	*16*	**235,300**	500,933
		823,454	1,251,911
Net current assets		**1,015,963**	316,615
Total assets less current liabilities		**2,967,627**	2,960,359
Capital and reserves			
Share capital	*17*	**10**	1
Reserves	*18*	**1,262,011**	941,995
Total equity		**1,262,021**	941,996
Non-current liabilities			
Deposits from finance lease customers		**138,266**	158,567
Deferred income		**11,077**	15,526
Borrowings	*15*	**1,323,263**	1,568,270
Bonds issued	*16*	**233,000**	276,000
		1,705,606	2,018,363
		2,967,627	2,960,359

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2019

		Reserves						
	Share capital	**Share premium**	**Capital reserve**	**Surplus reserve**	**Translation reserve**	**Retained profits**	**Subtotal**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019 (audited)	1	880,839	(42,520)	14,335	(270)	89,611	941,995	941,996
Loss and other comprehensive expenses for the period	–	–	–	–	(15)	(3,250)	(3,265)	(3,265)
Capitalisation issue of new shares	6	(6)	–	–	–	–	(6)	–
Issuance of new shares upon listing	3	360,031	–	–	–	–	360,031	360,034
Transaction costs attributable to issue of shares	–	(36,744)	–	–	–	–	(36,744)	(36,744)
At 30 June 2019 (unaudited)	10	1,204,120	(42,520)	14,335	(285)	86,361	1,262,011	1,262,021
At 1 January 2018 (audited)	1	880,839	(42,520)	9,308	(2,169)	54,040	899,498	899,499
Profit and other comprehensive income for the period	–	–	–	–	2,234	19,128	21,362	21,362
At 30 June 2018 (unaudited)	1	880,839	(42,520)	9,308	65	73,168	920,860	920,861

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2019

	For the six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	**753,604**	193,797
Net cash used in investing activities		
Withdrawal from restricted deposits	**70,771**	51,559
Placement of restricted deposits	**(71,403)**	(60,465)
Interests income received from restricted deposits	**43**	–
Purchases of plant and equipment	**(6)**	–
Repayments from related companies	**107**	–
	(488)	(8,906)
Net cash (used in)/generated from financing activities		
Proceeds from issue of shares	**360,034**	–
Proceeds from bonds issued	**–**	400,000
Repayment of bonds issued	**(307,193)**	(304,806)
Proceeds from borrowings	**350,000**	1,487,000
Repayment of borrowings	**(795,700)**	(1,427,015)
Repayments of leases liabilities	**(2,550)**	–
Cash paid for issue costs	**(28,673)**	(2,088)
Interest paid for bonds issued	**(24,566)**	(27,255)
Interest paid for borrowings	**(58,190)**	(69,408)
	(506,838)	56,428
Net increase in cash and cash equivalents	**246,278**	241,319
Cash and cash equivalents at beginning of the period	**391,270**	425,827
Effects of foreign exchange rate changes	**1,653**	6,222
Cash and cash equivalents at end of the period	**639,201**	673,368

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

1. GENERAL INFORMATION

International Alliance Financial Leasing Co., Ltd. (the "**Company**") is an exempted company with limited liability incorporated in the 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 condensed 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. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 ("**IAS 34**") Interim Financial Reporting issued by the International Accounting Standards Board (the "**IASB**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis.

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

Application of new and amendments to IFRSs

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

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

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

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

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

3.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Non-lease components are separated from lease component on the basis of their relative stand-alone prices.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of staff quarters and office buildings that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straightline basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the condensed consolidated statement of financial position.

Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 *Financial Instruments* ("**IFRS 9**") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;

- the exercise price of a purchase option reasonably certain to be exercised by the Group; and

- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

As a lessor

Allocation of consideration to components of a contract

The Group applies IFRS 15 *Revenue from Contracts with Customers* ("**IFRS 15**") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Sale and leaseback transactions

The Group acts as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a loan receivable equal to the transfer proceeds within the scope IFRS 9.

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

Definition of a lease

The Group has 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 standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options;

iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of staff quarters and office buildings in the People's Republic of China ("**PRC**") was determined on a portfolio basis.

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised lease liabilities of RMB6.2 million and right-of-use assets of RMB6.3 million at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 9.03%.

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	6,988
Lease liabilities discounted at relevant incremental borrowing rates	6,575
Less: Recognition exemption – short-term leases	(385)
Lease liabilities relating to operating leases recognised upon application of IFRS 16	6,190
Lease liabilities as at 1 January 2019	6,190
Analysed as	
Current	4,749
Non-current	1,441
	6,190

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

	Note	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		6,190
Adjustments on rental deposits at 1 January 2019	*(a)*	130
By class:		
Land and buildings		6,320

(a) Before the application of IFRS 16, the Group considered refundable rental deposits paid as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right to use of the underlying assets and were adjusted to reflect the discounting effect at transition. Accordingly, approximately RMB130 thousands was adjusted to refundable rental deposits paid and right-of-use assets.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

Before application of IFRS 16, refundable rental deposits received were considered as rights and obligations under leases to which IAS 17 applied. Based on the definition of lease payments under IFRS 16, such deposits are not payments relating to the right-of-use assets. As permitted by IFRS 16, the Group elected not to make any adjustments to the refundable rental deposits on initial application of IFRS 16 and continued to treat such deposits as part of the lease payments. During the current interim period, the Group didn't enter into any new contracts as a lessor.

Sales and leaseback transactions

In accordance with the transition provisions of IFRS 16, sale and leaseback transactions entered into before the date of initial application were not reassessed. Upon application of IFRS 16, the Group as a buyer-lessor does not recognise the transferred asset if such transfer does not satisfy the requirements of IFRS 15 as a sale.

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

	Carrying amounts previously reported at 31 December 2018	**Adjustments**	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	*RMB'000*
Non-current Assets			
Right-of-use asset	–	6,320	6,320
Other receivables			
– Rental deposits	1,205	(130)	1,075
Current liabilities			
Lease liabilities	–	4,749	4,749
Non-current liabilities			
Lease liabilities	–	1,441	1,441

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

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. 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 six months ended 30 June 2019 and 2018.

5. REVENUE

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Finance lease income	**142,395**	172,144
Advisory fee income *(Note)*	**–**	2,990
Total	**142,395**	175,134

Note: Advisory fee income was recognised at a point in time when those services were completed. The Group has no unsatisfied performance obligations of advisory service as at 30 June 2019 and 2018.

6. OTHER INCOME, GAINS OR LOSSES

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest income from restricted deposits	**43**	–
Bank interest income	**842**	311
Entrusted loan income	**–**	806
Compensation for early termination of finance lease arrangement *(Note)*	**–**	5,482
Others	**5**	19
Total	**890**	6,618

Note: 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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest expense on liabilities		
– Borrowings	**77,612**	73,540
– Bonds payable	**23,126**	38,002
– Imputed interest on deposits from finance lease customers	**7,502**	6,068
– Interest on lease liabilities	**205**	–
Total	**108,445**	117,610

8. (LOSS)/PROFIT BEFORE INCOME TAX

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(Loss)/profit before income tax has been arrived at after charging:		
Directors' remuneration		
– Salaries and bonus	**1,154**	1,000
– Social welfare	**200**	212
Salaries, bonus, allowances, social welfare and other employee benefits	**5,380**	4,811
Total staff costs	**6,734**	6,023
Depreciation of plant and equipment	**18**	40
Depreciation of right-of-use assets	**2,330**	–
Less: amount included in staff costs	**(71)**	–
	2,259	–
Amortisation of intangible assets	**176**	175
Lease payments under operating leases:		
– Short-term leases	**395**	–
– Minimum lease payments	**–**	2,814

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Taxation for the period		
Current income tax		
PRC Enterprise Income Tax	**6,120**	9,197
Deferred income tax *(Note)*	**(7,249)**	756
	(1,129)	9,953

Note: During the current interim period, the deferred income tax was mainly recognised as deductible temporary differences arising from the impairment losses under expected credit loss ("**ECL**") model.

10. DIVIDEND

No dividends were paid, declared or proposed during the interim period. The directors of the Company have determined that no dividend will be paid in respect of the interim period.

11. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
(Loss)/profit for the period	**(3,250)**	19,128
Number of shares:		
Weighted average number of shares in issue *('000)*	**1,300,359**	1,005,000
Basic (loss)/earnings per share *(RMB Yuan)*	**(0.0025)**	0.0190

For the six months ended 30 June 2019, the computation of diluted earnings per share does not assume the exercise of the Company's over-allotment option since their assumed exercise would result in a decrease in loss per share.

During the six months ended 30 June 2018, there were no potential ordinary shares outstanding. Accordingly, no diluted loss or earnings per share is presented.

The calculation of basic loss or earnings per share during the interim period is based on the assumption that the Capitalisation Issue (as detailed in note 17) had been effective throughout both periods.

12. MOVEMENTS IN PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the current interim period, the Group did not dispose any plant and equipment.

During the current interim period, the Group did not enter into any new lease agreement that should be recognised as right-of-use asset and lease liability.

13. FINANCE LEASE RECEIVABLES

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

	As at 30 June 2019 *RMB'000* (unaudited)
Not later than one year	**1,332,759**
Later than one year and not later than two years	**976,466**
Later than two years and not later than three years	**765,641**
Later than three years and not later than four years	**410,440**
Later than four years and not later than five years	**44,363**
Gross amount of finance lease receivables	**3,529,669**
Less: Unearned finance income	**(468,521)**
Present value of finance lease receivables	**3,061,148**
Represented by:	
Not later than one year	**1,114,325**
Later than one year and not later than two years	**829,496**
Later than two years and not later than three years	**688,224**
Later than three years and not later than four years	**386,436**
Later than four years and not later than five years	**42,667**
Subtotal	**3,061,148**
Less: Allowances for impairment losses	**(76,005)**
Carrying amount of finance lease receivables	**2,985,143**
Analysed for reporting purposes as:	
Current assets	**1,079,917**
Non-current assets	**1,905,226**
Total	**2,985,143**

	As at 31 December 2018 *RMB'000* (audited)
Not later than one year	1,392,374
Later than one year and not later than five years	3,020,820
Later than five years	12,220
Gross amount of finance lease receivables	4,425,414
Less: Unearned finance income	(643,197)
Present value of finance lease receivables	3,782,217
Represented by:	
Not later than one year	1,130,439
Later than one year and not later than five years	2,639,843
Later than five years	11,935
Subtotal	3,782,217
Less: Allowances for impairment losses	(67,998)
Carrying amount of finance lease receivables	3,714,219
Analysed for reporting purposes as:	
Current assets	1,106,050
Non-current assets	2,608,169
Total	3,714,219

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

	For the six months ended 30 June 2019			
	Individual provisions 12m ECL *RMB'000*	**Individual provisions lifetime ECL not credit-impaired** *RMB'000*	**Individual provisions lifetime ECL credit-impaired** *RMB'000*	**Total** *RMB'000*
As at 31 December 2018 (audited)	**6,857**	**30,422**	**30,719**	**67,998**
Changes due to finance lease receivables recognised in the opening balance that have:				
– transferred to individual provisions 12m ECL	**4,774**	**(4,774)**	**–**	**–**
– transferred to Lifetime ECL not credit-impaired	**(1,329)**	**1,329**	**–**	**–**
– transferred to Lifetime ECL credit-impaired	**–**	**(16,134)**	**16,134**	**–**
Provided for the period *(Note)*	**11**	**2,952**	**11,028**	**13,991**
Reversal for the period *(Note)*	**(4,484)**	**(1,052)**	**(403)**	**(5,939)**
Foreign currency translation	**(45)**	**–**	**–**	**(45)**
Balance at end of the period (unaudited)	**5,784**	**12,743**	**57,478**	**76,005**
Expected loss rate	**0.27%**	**1.80%**	**28.37%**	**2.48%**

	For the year ended 31 December 2018			
	Individual provisions 12m ECL *RMB'000*	Individual provisions lifetime ECL not credit-impaired *RMB'000*	Individual provisions lifetime ECL credit-impaired *RMB'000*	Total *RMB'000*
As at 1 January 2018 (audited)	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)*	3,169	23,553	19,865	46,587
Reversal for the year *(Note)*	(2,665)	(18,816)	–	(21,481)
Write-offs	–	–	(3,406)	(3,406)
Foreign currency translation	37	199	–	236
Balance at end of the year (audited)	6,857	30,422	30,719	67,998
Expected loss rate	0.23%	4.51%	28.34%	1.80%

Note: There has been no change in the estimation techniques or significant assumptions made during the current interim period 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.

According to the change in the level of credit risk compared with the level at initial recognition, finance lease receivables are classified into 12m ECL, lifetime ECL not credit-impaired and lifetime ECL credit-impaired.

	As at 30 June 2019 (unaudited)			As at 31 December 2018 (audited)		
	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*
12m ECL	**2,150,794**	**(5,784)**	**2,145,010**	2,999,302	(6,857)	2,992,445
Lifetime ECL not credit-impaired	**707,773**	**(12,743)**	**695,030**	674,518	(30,422)	644,096
Lifetime ECL credit-impaired	**202,581**	**(57,478)**	**145,103**	108,397	(30,719)	77,678
Total	**3,061,148**	**(76,005)**	**2,985,143**	3,782,217	(67,998)	3,714,219

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

	As at 30 June 2019 *RMB'000* **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
Within 30 days	**306,769**	379,567
Over 30 days and within 90 days *(Note a)*	**77,743**	125,946
Over 90 days *(Note b)*	**542,247**	257,728
Total	**926,759**	763,241

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 12m ECL 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.

14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Impairment loss recognised in respect of		
Finance lease receivables	**8,052**	9,652
Other receivables	**6,620**	664
Amounts due from related parties	**14**	–
Total	**14,686**	10,316

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

During the current interim period, the Group provided RMB14.7 million impairment allowance, primarily derived from provision for impairment loss of finance lease receivables amounting to RMB8.1 million, due to the increase in credit risk for certain finance lease receivables as disclosed in Note 13.

15. BORROWINGS

	As at 30 June 2019 *RMB'000* (unaudited)	As at 31 December 2018 *RMB'000* (audited)
Secured and guaranteed borrowings	**105,273**	402,011
Secured and unguaranteed borrowings	**700,203**	848,126
Unsecured and unguaranteed borrowings	**1,057,510**	1,042,510
Total	**1,862,986**	2,292,647
Represented by:		
Borrowing from financial institutions		
– Banks	**362,736**	788,956
Borrowing from other institutions		
– Entrusted loans	**1,500,250**	1,503,691
Total	**1,862,986**	2,292,647
Represented by:		
Carrying amount repayable:		
Within one year	**539,723**	724,377
More than one year, but not exceeding two years	**346,023**	413,809
More than two years, but not exceeding five years	**977,240**	1,154,461
	1,862,986	2,292,647
Less: amounts under current liabilities	**539,723**	724,377
Non-current liabilities	**1,323,263**	1,568,270

During the current interim period, the Group obtained new entrusted loans amounting to RMB350.0 million (31 December 2018: new bank loans amounting to RMB1,844.0 million). The loans carry interest at fixed market rates of 8.21% and are repayable in instalments over a period of 3 years. The proceeds were used to finance the operation of the Group.

16. BONDS ISSUED

	As at 30 June 2019 *RMB'000* **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
Asset-backed securities		
– Asset-backed Nanshan Leasing of phase 2	**–**	63,096
– Asset-backed Nanshan Leasing of No.2	**110,754**	132,910
– Asset-backed Nanshan Leasing of phase 3	**34,930**	215,639
– Asset-backed Nanshan Leasing of No.1	**322,616**	365,288
Total	**468,300**	776,933
Represented by:		
Carrying amount repayable:		
Within one year	**235,300**	500,933
More than one year, but not exceeding two years	**89,000**	87,000
More than two years, but not exceeding five years	**144,000**	189,000
	468,300	776,933
Analysed for the purpose of reporting:		
Current liabilities	**235,300**	500,933
Non-current liabilities	**233,000**	276,000
	468,300	776,933

17. SHARE CAPITAL OF THE COMPANY

	Number of shares				
	Ordinary	Series A	Series B	Total	USD
Authorised					
Total shares of USD0.000001 each at 1 January 2018, 30 June 2018, and 1 January 2019	49,972,491,009	18,777,078	8,731,913	50,000,000,000	50,000
Represented by:					
Ordinary shares of USD0.000001 each at 1 January 2018, 30 June 2018, and 1 January 2019	49,972,491,009	–	–	49,972,491,009	49,972
Series A share of USD0.000001 each at 1 January 2018, 30 June 2018, and 1 January 2019	–	18,777,078	–	18,777,078	19
Series B share of USD0.000001 each at 1 January 2018, 30 June 2018, and 1 January 2019	–	–	8,731,913	8,731,913	9
Reclassified Series A shares into ordinary shares on 15 March 2019 *(Note a)*	18,777,078	(18,777,078)	–	–	–
Reclassified Series B shares into ordinary shares on 15 March 2019 *(Note a)*	8,731,913	–	(8,731,913)	–	–
Total shares of USD0.000001 each at 30 June 2019	50,000,000,000	–	–	50,000,000,000	50,000
Represented by:					
Ordinary shares of USD0.000001 each at 30 June 2019	50,000,000,000	–	–	50,000,000,000	50,000

Issued

	Issued number of shares					Equivalent
	Ordinary	Series A	Series B	Total	USD	to RMB
At 1 January 2018, 30 June 2018, and 1 January 2019	100,000,000	18,777,078	8,731,913	127,508,991	128	823
Reclassified Series A shares into ordinary shares *(Note a)*	18,777,078	(18,777,078)	–	–	–	–
Reclassified Series B shares into ordinary shares *(Note a)*	8,731,913	–	(8,731,913)	–	–	–
Issue of shares pursuant to Capitalisation Issue *(Note b)*	877,491,009	–	–	877,491,009	877	5,891
Issue of shares pursuant to Global Offering *(Note c)*	495,000,000	–	–	495,000,000	495	3,325
At 30 June 2019	1,500,000,000	–	–	1,500,000,000	1,500	10,039

Notes:

(a) Pursuant to a written resolutions of the shareholders of the Company passed on 20 February 2019, all of the Company's issued Series A and B shares were re-designated and re-classified into ordinary shares on an one-to-one basis immediately upon completion of the Hong Kong Public Offering and the International Offering ("**Global Offering**") on 15 March 2019.

(b) On 15 March 2019, a total of 877,491,009 shares were allotted and issued, credited as fully paid at par, by the way of capitalisation of a sum of USD877.491009 (equivalent to RMB5,891) standing to the credit of the share premium account of the Company, and such shares were allotted and issued to the shareholders whose names appeared on the register of members of the Company on the business day immediately before 15 March 2019 in proportion (the "**Capitalisation Issue**").

(c) On 15 March 2019, 495,000,000 ordinary shares with a par value of USD0.000001 each of the Company were issued at the offer price of HKD0.85 per share by way of Global Offering. On the same day, the Company's shares were listed on the Stock Exchange. The respective share capital amount was USD495 (equivalent to RMB3,325) and share premium arising from the issuance was approximately RMB323.3 million, net of the share issuance costs. The share issuance costs mainly included share underwriting commissions, lawyers' fees, reporting accountants' fees and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to approximately RMB36.7 million were recognised as a deduction against the share premium arising from the issuance.

18. RESERVES

	As at 30 June 2019 *RMB'000* (unaudited)	As at 31 December 2018 *RMB'000* (audited)
Share premium *(Note a)*	**1,204,120**	880,839
Capital reserve *(Note b)*	**(42,520)**	(42,520)
Surplus reserve *(Note c)*	**14,335**	14,335
Translation reserve	**(285)**	(270)
Retained profits	**86,361**	89,611
Total reserve	**1,262,011**	941,995

Notes:

(a) (i) The Company issued 99 ordinary shares in September 2015 at a premium which was credited to the share premium account with an aggregate amount of approximately RMB668.5 million.

(ii) On 13 January 2016, the Company issued and allotted 17,647,058 Series A shares to PA Investment Funds SPC pursuant to a subscription and shareholders' agreement. The excess over the par value for the 17,647,058 Series A shares was credited to the share premium account with an aggregate amount of approximately RMB143.4 million.

(iii) On 6 April 2017, the Company issued and allotted 8,731,913 Series B shares to Design Time Limited pursuant to a subscription and shareholders' agreement. The excess over the par value for the 8,731,913 Series B shares was credited to the share premium account with an aggregate amount of approximately RMB68.9 million.

(iv) On 15 March 2019, the Company issued 877,491,009 shares pursuant to Capitalisation Issue and 495,000,000 ordinary shares pursuant to Global Offering, as detailed in Note 17(b) and (c). The excess over the par value for the shares issued in Global Offering was credited to the share premium account with an aggregate amount of approximately RMB323.3 million.

(b) Nanshan Financial Leasing (Tianjin) Co., Ltd. ("**Nanshan Leasing**") became a wholly-owned subsidiary of Hong Kong Alliance Financial Leasing Co., Limited ("**HK Alliance**") through reorganisation, which represented merger of enterprises under common control. Since the consideration paid by HK Alliance was greater than the net assets of Nanshan Leasing on the merger date, the difference was included in reserve.

(c) Under the PRC Law, subsidiaries of the Group established in the PRC are required to transfer 10% of their net profit determined under the generally accepted accounting principles in the PRC to a non-distributable statutory reserve. Statutory surplus reserve can be used to make up for previous year's losses or converted into additional capital. When the balance of such reserve reaches 50% of the capital, any further appropriation is optional.

19. COMMITMENTS

As at the end of the current interim period, the Group had commitments for future minimum lease payments under short-term operating leases at a total amount of approximately RMB0.3 million (31 December 2018: future minimum lease payments under non-cancellable operating leases amounting to approximately RMB7.0 million).

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

The valuation techniques used by the Group include the discounted cash flow model for finance lease receivables, lease liabilities, financial assets and financial liabilities measured at amortised cost. The main parameters used in discounted cash flow model include recent transaction prices, relevant interest yield curves, foreign exchange rates, prepayment rates and counterparty credit spreads.

The fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are based on quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

None of the Group's financial instruments are measured at fair value on a recurring basis at the end of the current interim period and the last annual reporting period.

Fair values of financial instruments that are not measured at fair value

The fair values of the finance lease receivables that are not measured at fair value are included in Level 3 category. The fair values of financial liabilities that are not measured at fair value are included in either Level 1 or Level 3 category. Valuation of Level 1 financial instruments has been derived from quoted bid price in active market. Valuation of Level 3 financial instruments has been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

The table below summaries the carrying amounts and expected fair values with obvious variances of those financial instruments not presented at their fair values:

	As at			
	30 June 2019 (unaudited)		31 December 2018 (audited)	
	Carrying amount	**Fair value**	Carrying amount	Fair value
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Finance lease receivables	**2,985,143**	**3,095,251**	3,714,219	3,839,179
Deposits from finance lease customers	**166,622**	**168,239**	164,806	166,916
Borrowings	**1,862,986**	**2,047,133**	2,292,647	2,482,937
Bonds issued	**468,300**	**474,472**	776,933	937,811

Except for the above, the directors of the Company consider that the carrying amounts of lease liabilities, financial assets and financial liabilities measured at amortised cost in the Group's condensed consolidated statement of financial position approximate their fair values because the majority of these financial assets and liabilities are matured within one year, at floating interest rates, or at fixed interest rate that approximate to market rate.

21. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The name and the relationship of other related parties

Name of related parties	**Relationship**
Union Capital	Ultimate Shareholder
Nanshan Group and its subsidiaries	*Note a*
JinChuang	*Note b*
RongJin	*Note b*

Note a: Union Capital was solely owned by Ms. Sui Yongqing, whose husband is Mr. Song Jianbo, who is the key management of Nanshan Group.

Note b: JinChuang Enterprise Management & Consulting Co., Ltd ("**JinChuang**") and RongJin Enterprise Management & Consulting Co., Ltd ("**RongJin**") are controlled by certain directors of the Company.

Transactions with related parties

During the interim period, group entities entered into the following transactions with related parties that are not members of the Group:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Finance lease income generated from related parties:		
– Nanshan Group and its subsidiaries	**155**	2,595
– Union Capital	**7,145**	6,902
Other income generated from related parties:		
– Nanshan Group and its subsidiaries *(Note 6)*	**–**	5,482

The finance lease income was charged at rates ranging from 6.08% to 7.09% per annum for the current interim period (1 January 2018 to 30 June 2018: from 5.94% to 7.09% per annum).

Finance lease receivables from related parties

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Nanshan Group and its subsidiaries	**4,569**	5,278
Union Capital	**–**	245,488

Amounts due from related parties

	As at 30 June 2019	As at 31 December 2018
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Union Capital *(Note a)*	**60,205**	–
JinChuang *(Note b)*	**–**	53
RongJin *(Note b)*	**–**	54

Notes:

(a) In June 2019, Union Capital early terminated a finance lease agreement which would be matured in April 2023, and repaid part of the outstanding finance lease receivables. The remaining outstanding amount of approximately RMB60.2 million was paid in July 2019.

(b) The amounts due from JinChuang and RongJin are unsecured, interest-free and repayable on demand. The maximum balances outstanding for the six months ended 30 June 2019 and the year ended 31 December 2018 were approximately 0.1 million and 0.1 million, respectively.

Guarantee from related parties

Nanshan Group provided guarantees in respect of certain borrowings by the Group during the period, of which approximately RMB105.3 million remained outstanding at 30 June 2019 (31 December 2018: RMB402.0 million). The guarantee on bonds issued provided by Nanshan Group of which RMB63.1 million remained outstanding at 31 December 2018 was matured on 30 June 2019.

Compensation of key management personnel

The remunerations of key management personnel of the Group during the period were as follows:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Basic salary and allowances	**2,060**	1,830
Employer's contribution to pension schemes	**100**	140
Other social welfare	**172**	243
Total	**2,332**	2,213

The remuneration of key management is determined with reference to the performance of the Group and the individuals.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

In the first half of 2019, against the backdrop of a complex and changing domestic and international economic environment as well as the continually deep propel of financial deleveraging across the country and more strict regulatory policy, the increasingly tightening financing environment had become a growing concern. Affected by the above situation, rental defaults occurred among its certain lessees, for which the Group prudently made provision for impairment loss of finance lease receivables under IFRS 9, Financial Instruments, resulting in significant impact on the interim results of the Group for the six months ended 30 June 2019.

In the first half of the year, through closely monitoring the market changes of the industry engaged, the Group timely adjusted its business strategy, proactively slowed down the pace of business development while giving priority to risk prevention and control, and strengthened the function of the project vetting committee of the Company in project selection so as to improve the level of asset management and reduce overall risk of assets.

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 leasing customers. The Group's finance leasing offerings included sale-leaseback and direct finance leasing.

Revenue decreased by approximately 18.7% from approximately RMB175.1 million for the six months ended 30 June 2018 to approximately RMB142.4 million for the six months ended 30 June 2019. Such decrease was mainly due to the Group's lack of new finance leasing business in the first half of 2019. For the six months ended 30 June 2019, its finance lease income amounted to approximately RMB142.4 million (for the six months ended 30 June 2018: approximately RMB172.1 million). The Group's advisory services primarily consist of finance leasing advisory services. For the six months ended 30 June 2019, no advisory fee income was generated (for the six months ended 30 June 2018: approximately RMB3.0 million).

Other income, gains or losses

Other income, gains or losses which primarily derived from (i) bank interest income; (ii) entrusted loan income; and (iii) compensation for early termination of finance leasing arrangement, decreased by approximately RMB5.7 million from approximately RMB6.6 million for the six months ended 30 June 2018 to approximately RMB0.9 million for the six months ended 30 June 2019.

In particular, (i) the bank interest income increased by approximately RMB0.5 million from approximately RMB0.3 million for the six months ended 30 June 2018 to approximately RMB0.8 million for the six months ended 30 June 2019; (ii) the entrusted loan income decreased by approximately RMB0.8 million from approximately RMB0.8 million for the six months ended 30 June 2018 to nil for the six months ended 30 June 2019 and such income has been settled; and (iii) the compensation for early termination of finance lease arrangement of approximately RMB5.5 million was received due to an early settlement of finance leasing 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 increased by approximately RMB0.7 million from approximately RMB6.0 million for the six months ended 30 June 2018 to approximately RMB6.7 million for the six months ended 30 June 2019, which was resulted from the salary adjustment.

Other operating expenses

Other operating expenses primarily included rental expenses, entertainment expenses, legal and professional fees and travelling expenses. For the six months ended 30 June 2019, the other operating expenses amounted to approximately RMB10.0 million (for the six months ended 30 June 2018: approximately RMB10.0 million), representing approximately 7.0% of the total revenue of the Group (for the six months ended 30 June 2018: approximately 5.7%).

Listing expenses

For the six months ended 30 June 2019, the listing expenses amounted to approximately RMB10.1 million (for the six months ended 30 June 2018: approximately RMB7.3 million). Such expenses are non-recurring in nature.

Finance cost

Finance cost primarily derived from (i) borrowings; (ii) bonds payable; (iii) imputed interest on deposits from finance lease customers; and (iv) interest on lease liabilities. The finance cost decreased by approximately 7.8% from approximately RMB117.6 million for the six months ended 30 June 2018 to approximately RMB108.4 million for the six months ended 30 June 2019.

In particular, (i) the borrowing costs increased by approximately 5.6% from approximately RMB73.5 million for the six months ended 30 June 2018 to approximately RMB77.6 million for the six months ended 30 June 2019, which was due to the increase in the cost of capital in domestic capital market; (ii) the costs of bonds payable decreased by approximately 39.2% from approximately RMB38.0 million for the six months ended 30 June 2018 to approximately RMB23.1 million for the six months ended 30 June 2019, which was due to the maturity of a bond payable; (iii) the Group incurred imputed interest on deposits from finance lease customers of RMB7.5 million for the six months ended 30 June 2019, representing an increase of approximately 23.0% from approximately RMB6.1 million for the six months ended 30 June 2018, due to the increase in daily average amortised cost of deposits from finance lease customers. The amortised cost of deposits from finance leasing customers gradually increased with the constant amortisation since its initial recognition, which resulted in the gradual increase in interest expenses recognised; and (iv) the Group has applied IFRS 16 – Leases since 1 January 2019, pursuant to which the Group incurred interest expenses on lease liabilities recognised of RMB0.2 million.

Loss for the period

Loss for the period increased by approximately RMB22.4 million or 117.3% from the profit of approximately RMB19.1 million for the six months ended 30 June 2018 to the loss approximately RMB3.3 million for the six months ended 30 June 2019. The net profit margin for the six months ended 30 June 2019 was -2.3%, representing a significant drop as compared to that of 10.9% for the six months ended 30 June 2018, which was due to the sizable impairment allowance provided for the finance lease receivables and the decrease of finance lease income. In addition, the one-off effect of the listing expenses also accounted for the increase in loss for the period. If excluding the non-recurring listing expenses for both periods, the Group would have recorded a profit for the six months ended 30 June 2019 of approximately RMB6.8 million, while the profit for the six months ended 30 June 2018 would have been approximately RMB26.4 million, representing a decrease in profit of approximately RMB19.6 million or 74.2% as compared to the profit for the six months ended 30 June 2018.

Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2019 (for the six months ended 30 June 2018: nil).

Liquidity, financial resources and capital resources

As at 30 June 2019, the cash and cash equivalents amounted to approximately RMB639.2 million (30 June 2018: approximately RMB673.4 million). Working capital (current assets less current liabilities) and the total equity of the Group amounted to approximately RMB1,016.0 million (30 June 2018: approximately RMB576.4 million) and approximately RMB1,262.0 million (30 June 2018: approximately RMB920.9 million).

As at 30 June 2019, the Group's borrowings due within one year amounted to approximately RMB539.7 million (30 June 2018: approximately RMB724.4 million) and the Group's borrowings due after one year amounted to approximately RMB1,323.3 million (30 June 2018: approximately RMB1,889.5 million).

As at 30 June 2019, the Group's bonds issued due within one year amounted to approximately RMB253.3 million (30 June 2018: approximately RMB500.9 million) and the Group's bonds issued due after one year amounted to approximately RMB233.0 million (30 June 2018: approximately RMB686.3 million).

As at 30 June 2019, the gearing ratio, calculated based on dividing the total indebtedness by total equity and indebtedness as at the end of the six months ended 30 June 2019, was approximately 64.9% (30 June 2018: approximately 80.5%). 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. The carrying amounts of the finance lease receivables amounted to (i) approximately RMB3,529.7 million, (ii) approximately RMB468.5 million; and (iii) approximately RMB76.0 million, which decreased by approximately 28.6% from approximately RMB4,183.6 million for the six months ended 30 June 2018 to approximately RMB2,985.1 million for the six months ended 30 June 2019, due to settlement of finance lease receivables and increase in allowances for impairment losses.

The allowances for impairment losses increased by approximately 36.7% from approximately RMB55.6 million for the six months ended 30 June 2018 to approximately RMB76.0 million for the six months ended 30 June 2019.

Finance lease commitments

As at 30 June 2019, the Group had no finance lease commitments (30 June 2018: RMB50.0 million).

Employees and remuneration policy

As at 30 June 2019, the Group employed 40 full time employees (30 June 2018: 43) for its principal activities. Employees' benefits expenses (including Directors' emoluments) amounted to approximately RMB6.7 million for the six months ended 30 June 2019 (for the six months ended 30 June 2018: approximately RMB6.0 million). The Group recognises the importance of retaining high calibre and competent staff and continuing to provide remuneration packages to employees with reference to the performance of the Group, the performance of individual employees and prevailing market rates. Other type of 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 the Group 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 Regulatory Commission (中國銀行業監督管理委員會) 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 30 June 2019, the Group did not have any material contingent liabilities (30 June 2018: Nil).

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on 15 March 2019 (the "**Listing Date**"). 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 Listing Date 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

The Company adopted a share option scheme (the "**Share Option Scheme**") on 20 February 2019 which became effective upon the Listing Date. A summary of the principal terms of the Share Option Scheme was set out in Appendix V to the prospectus of the Company dated 28 February 2019.

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 the Group and to promote the success of the business of the Group.

The basis of eligibility of any participant to the grant of any share option (the "**Share 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 Share Option 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 a Share Option to any participant as the Board may determine. The number of Shares which may be issued pursuant to the exercise of the Share Option to be granted under the Share Option Scheme is 150,000,000 in total.

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

EVENTS AFTER THE REPORTING PERIOD

As disclosed in our voluntary announcement dated 12 July 2019, Nanshan Leasing filed a lawsuit against The Fourth People's Hospital of Shang Qiu Shi (商丘市第四人民醫院) ("**Shang Qiu Hospital**") for a total sum of RMB62,725,087.69, being, among others, the unpaid rental fee owed by Shang Qiu Hospital, the outstanding rental fee for the remaining term and other expenses incurred by Nanshan Leasing under the relevant finance leasing agreement (the "**Agreement**"). As at the date of this announcement, the Company has received RMB6,706,739.00 from Shang Qiu Hospital, representing all overdue rental fees since the entering into of the Agreement.

Save as aforementioned, the Group does not have any material event subsequent to 30 June 2019 and up to the date of this announcement.

OUTLOOK AND PLANS

In the second half of this year, the gathering of uncertainties on global trading condition and geopolitics has raised the expectation on economic and money easing, which may lead to the opening of a cycle of rate cuts around the globe and an expected reasonable improvement in market liquidity. The Group will implement various measures to apply effective identification and assessment on risk assets, to enhance the collectability on rentals, and to develop responsive measures and solutions in line with specific circumstances, aiming to safeguard the interests of the assets of the Company.

The Company will make prudential analysis on the market environment and focus on projects within industries which are counter-cyclical or less cyclical. Meanwhile, the Company will keep running the project review process strictly as always, and continue to improve the risk management and internal control procedures, so as to ensure the long-standing and stable development of the Company.

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 Listing Rules. For the period from the Listing Date 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 Listing Date 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 audit committee of the Company (the "**Audit Committee**") which was established by the Board 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. Mr. Liu Xuewei has been appointed as the chairman of the Audit Committee, and has the appropriate professional qualifications required under the Listing Rules. The Audit Committee has reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a securities dealing code (the "**Securities Dealing Code**") 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 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 Securities Dealing Code throughout the period from the Listing Date 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 2019 interim report of the Company for the six months ended 30 June 2019 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.
Li Luqiang
Executive Director

Hong Kong, 23 August 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) as non-executive Directors; and Mr. Liu Changxiang, Mr. Liu Xuewei and Mr. Jiao Jian as independent non-executive Directors.