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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)

**UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE
YEAR ENDED 31 DECEMBER 2019**

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2019, the revenue amounted to approximately RMB260.9 million, representing a decrease of approximately 27.1% as compared with that of approximately RMB358.1 million for the year ended 31 December 2018.
- For the year ended 31 December 2019, the loss before tax amounted to approximately RMB101.6 million, compared with the profit before tax of approximately RMB62.7 million for the year ended 31 December 2018.
- For the year ended 31 December 2019, the loss for the year amounted to approximately RMB84.7 million, as compared with the profit of approximately RMB40.6 million for the year ended 31 December 2018.
- As at 31 December 2019, the total assets amounted to approximately RMB3,084.0 million, representing a decrease of approximately 26.8% as compared with that of approximately RMB4,212.3 million as at 31 December 2018.
- As at 31 December 2019, the total shareholders' equity amounted to approximately RMB1,183.1 million, representing an increase of approximately 25.6% as compared with that of approximately RMB942.0 million as at 31 December 2018.
- For the year ended 31 December 2019, the return on equity was approximately -8.0%.
- For the year ended 31 December 2019, the return on total assets was approximately -2.3%

For the reasons as explained below under the paragraph headed “Review of Unaudited Annual Results”, the audit process for the annual results of the Company has not been completed. In the meantime, the board (the “**Board**”) of Directors (the “**Directors**”) of International Alliance Financial Leasing Co., Ltd. (the “**Company**”) announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2019, together with the audited comparative figures for the year ended 31 December 2018 as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	<i>Notes</i>	2019 RMB'000 (unaudited)	2018 <i>RMB'000</i> (audited)
Revenue	4	260,876	358,061
Other income, gains or losses	5	12,704	14,236
Total revenue and other income, gains or losses		273,580	372,297
Finance cost	6	(186,707)	(241,557)
Net exchange gain		2,158	1,990
Staff costs		(12,671)	(12,635)
Listing expenses		(10,299)	(10,837)
Other operating expenses		(20,040)	(21,226)
Impairment losses of financial assets, net of reversal	7	(147,610)	(25,349)
(Loss) profit before tax	8	(101,589)	62,683
Income tax credit (expense)	9	16,897	(22,085)
(Loss) profit for the year		(84,692)	40,598
Other comprehensive income:			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation		2,478	1,899
Total comprehensive (expense) income for the year		(82,214)	42,497
(Loss) earnings per share	11		
(Expressed in RMB Yuan per share)			
Basic		(0.0605)	0.0404

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
Non-current assets			
Plant and equipment		47	56
Right-of-use assets	12	6,833	—
Intangible assets		2,146	2,484
Finance lease receivables	13	1,696,039	2,608,169
Prepayment and other receivables		3,500	3,750
Deferred tax assets		72,360	29,285
		<u>1,780,925</u>	<u>2,643,744</u>
Current assets			
Finance lease receivables	13	990,541	1,106,050
Amounts due from related companies		—	107
Prepayment and other receivables		24,242	44,326
Bank balances		288,252	418,043
		<u>1,303,035</u>	<u>1,568,526</u>
Current liabilities			
Other payables and accrued expenses		2,430	2,314
Deposits from finance lease customers		37,730	6,239
Lease liabilities	12	3,670	—
Income tax payables		26,998	4,410
Deferred income		9,658	13,638
Borrowings	14	23,723	724,377
Bonds issued		91,201	500,933
		<u>195,410</u>	<u>1,251,911</u>
Net current assets		<u>1,107,625</u>	<u>316,615</u>
Total assets less current liabilities		<u>2,888,550</u>	<u>2,960,359</u>
Capital and reserves			
Share capital		10	1
Reserves		1,183,062	941,995
Total equity		<u>1,183,072</u>	<u>941,996</u>
Non-current liabilities			
Deposits from finance lease customers		130,701	158,567
Lease liabilities	12	3,238	—
Deferred income		8,563	15,526
Borrowings	14	1,373,976	1,568,270
Bonds issued		189,000	276,000
		<u>1,705,478</u>	<u>2,018,363</u>
		<u>2,888,550</u>	<u>2,960,359</u>

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 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 share capital of United States Dollar (“USD”) 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 1563.

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

The unaudited 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

In the current year, the Group has applied, for its first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board (“IASB”).

IFRS 16	Leases
IFRIC – Int 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
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

The adoption of IFRS 16 Leases resulted in the changes in the Group’s accounting policies and adjustments to the amounts recognised in the unaudited consolidated financial statements as summarises below.

The application of other new and amendments to IFRSs in the current year has had no material impact on the Group’s financial performance and position for the current and prior years and/or on the disclosures set out in these unaudited consolidated financial statements.

Impacts on adoption of IFRS 16 Leases

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%.

Differences between operating lease commitments as at 31 December 2018, the date immediately preceding the date of initial application, discounted using the incremental borrowing rate, and the lease liabilities recognised as at 1 January 2019 are as follow:

	<i>RMB'000</i> (unaudited)
Operating lease commitment disclosed as at 31 December 2018	6,988
Less: Short-term leases and low value asset with remaining lease term ended on or before 31 December 2019	<u>(385)</u>
	<u>6,603</u>
Discounted using the incremental borrowing rate and lease liabilities recognised as at 1 January 2019	<u><u>6,190</u></u>
Analysed as	
Current portion	4,630
Non-current portion	<u>1,560</u>
	<u><u>6,190</u></u>

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

	<i>RMB'000</i> (unaudited)
Right-of-use assets relating to operating leases recognised upon application of IFRS 16	6,190
Adjustments on rental deposits at 1 January 2019 (<i>Note a</i>)	<u>130</u>
By class:	
Office and staff quarters	<u><u>6,320</u></u>

Note 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 RMB130,000 was adjusted to refundable rental deposits paid and right-of-use assets.

3. SEGMENT INFORMATION

The executive 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 the People’s Republic of China (the “PRC”) PRC, 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 the PRC.
- (b) The non-current assets are located in the PRC.

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 2019 and 2018.

4. REVENUE

	2019 <i>RMB’000</i> (unaudited)	2018 <i>RMB’000</i> (audited)
Finance lease income	260,876	354,571
Advisory fee income (<i>Note</i>)	—	3,490
	<u>260,876</u>	<u>358,061</u>

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.

5. OTHER INCOME, GAINS OR LOSSES

	2019 <i>RMB'000</i> (unaudited)	2018 <i>RMB'000</i> (audited)
Government grants (<i>Note a</i>)	7,568	7,327
Investment income	212	34
Bank interest income	1,575	567
Entrusted loan income	–	806
Compensation for early termination of finance lease arrangement (<i>Note b</i>)	–	5,482
Others	3,349	20
	<u>12,704</u>	<u>14,236</u>

Notes:

- (a) Government grants represent local governments' offer for the refund of value-added tax and income tax to enterprises in the finance leasing industry. The government grants are one-off with no specific conditions.
- (b) 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.

6. FINANCE COST

	2019 <i>RMB'000</i> (unaudited)	2018 <i>RMB'000</i> (audited)
Interest expense on:		
– Borrowings	132,756	158,245
– Bonds payable	37,850	70,904
– Lease liabilities	456	–
– Imputed interest on deposits from finance lease customers	15,645	12,408
	<u>186,707</u>	<u>241,557</u>

7. IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET OF REVERSAL

	2019 <i>RMB'000</i> (unaudited)	2018 <i>RMB'000</i> (audited)
Finance lease receivables (<i>Note 14</i>)	140,758	25,106
Other receivables	<u>6,852</u>	<u>243</u>
	<u>147,610</u>	<u>25,349</u>

8. (LOSS) PROFIT BEFORE TAX

	2019 <i>RMB'000</i> (unaudited)	2018 <i>RMB'000</i> (audited)
(Loss) profit before tax has been arrived at after charging :		
Directors' remuneration	3,430	2,624
Salaries, bonus, allowances, social welfare and other employee benefits	<u>9,241</u>	<u>10,011</u>
Total staff cost	<u>12,671</u>	<u>12,635</u>
Auditors' remuneration	1,275	2,731
Depreciation for plant and equipment	25	68
Depreciation for right-of-use assets	5,490	—
Amortisation of intangible assets	351	350
Minimum lease payments under operating leases	<u>—</u>	<u>5,973</u>

9. INCOME TAX (CREDIT) EXPENSE

	2019 <i>RMB'000</i> (unaudited)	2018 <i>RMB'000</i> (audited)
Current income tax		
PRC Enterprise Income Tax	26,178	18,700
Deferred income tax	<u>(43,075)</u>	<u>3,385</u>
	<u>(16,897)</u>	<u>22,085</u>

10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 December 2019, nor has any dividend been proposed since the end of the reporting period (2018: nil).

11. (LOSS) EARNINGS PER SHARE

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

	2019 RMB'000 (unaudited)	2018 RMB'000 (audited)
(Loss) profit for the year	<u>(84,692)</u>	<u>40,598</u>
Number of shares		
Weighted average number of shares in issue ('000)	<u>1,401,000</u>	<u>1,005,000</u>

The calculation of basic (loss) earnings per share during the years ended 31 December 2019 and 2018 are based on the assumption that the capitalisation issue had been effective throughout both years.

During the years ended 31 December 2019 and 2018, there were no potential ordinary shares outstanding. Accordingly, no diluted earnings per share is presented.

12. LEASES

(i) Right-of-use assets

	31/12/2019 RMB'000 (unaudited)	1/1/2019 RMB'000 (unaudited)
Office and staff quarters	<u>6,833</u>	<u>6,320</u>

The Group has lease arrangements for office and staff quarters. The lease terms are generally ranged from two to five years.

None of these leases include extension options and variable lease payments.

Additions to the right-of-use assets for the year ended 31 December 2019 amounted to RMB6,828,000 due to new leases of office.

(ii) Lease liabilities

	31/12/2019 RMB'000 (unaudited)	1/1/2019 RMB'000 (unaudited)
Non-current	3,238	1,560
Current	3,670	4,630
	<u>6,908</u>	<u>6,190</u>

13. FINANCE LEASE RECEIVABLES

The minimum lease receivables are set out below:

	As at 31 December 2019 RMB'000 (unaudited)
Amounts receivable under finance leases	
Within 1 year	1,313,932
After 1 year but within 2 years	967,382
After 2 years but within 3 years	709,761
After 3 years but within 4 years	279,046
After 4 years but within 5 years	<u>101,459</u>
Undiscounted lease payments	3,371,580
Less: unearned finance income	<u>(476,244)</u>
Gross investment in leases	2,895,336
Less: Allowance for impairment losses	<u>(208,756)</u>
Present value of minimum lease payments receivable	<u><u>2,686,580</u></u>
Analysed for reporting purposes as:	
Current assets	990,541
Non-current assets	<u>1,696,039</u>
	<u><u>2,686,580</u></u>

	As at 31 December 2018 <i>RMB'000</i> (audited)
Amounts receivable under finance leases	
Within 1 year	1,392,374
Later than one year and not later than five years	3,020,820
Later than five years	<u>12,220</u>
Gross amount of finance lease receivables	4,425,414
Less: Unearned finance income	<u>(643,197)</u>
Present value of finance lease receivables	<u>3,782,217</u>
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	<u>11,935</u>
	3,782,217
Less: Allowance for impairment losses	<u>(67,998)</u>
Carrying amount of finance lease receivables	<u><u>3,714,219</u></u>
Analysed for reporting purposes as:	
Current assets	1,106,050
Non-current assets	<u>2,608,169</u>
	<u><u>3,714,219</u></u>

14. BORROWINGS

	As at 31 December	
	2019	2018
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
Secured and guaranteed borrowings	95,285	402,011
Secured and unguaranteed borrowings	510,036	848,126
Unsecured and unguaranteed borrowings	<u>792,378</u>	<u>1,042,510</u>
Total	<u>1,397,699</u>	<u>2,292,647</u>
Represented by:		
Carrying amount repayable		
Within one year	23,723	724,377
More than one year, but not exceeding two years	796,164	413,809
More than two years, but not exceeding five years	<u>577,812</u>	<u>1,154,461</u>
	1,397,699	2,292,647
Less: amounts under current liabilities	<u>23,723</u>	<u>724,377</u>
Non-current liabilities	<u>1,373,976</u>	<u>1,568,270</u>

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**”). 2019 is the first year following the Group’s listing and a critical year for the Group’s development and progress, in this year, the global economic growth continued to slow down, and was still at the in-depth adjustment stage following the international financial crisis. With the rapid changing global trend, there was significant increase in fluctuation sources and risk points. Facing the complex environment with significant increase in both domestic and overseas risks and challenges, China is currently under the crucial stage for structural reform, momentum swift and system optimization, thus experiencing greater pressure on economic downturn. In 2019, China’s gross domestic product was RMB99.1 trillion, up by 6.1% year-on-year, showing a decline of 0.6 percentage points in growth as compared to last year.

In 2019, with the increasing pressure on economic downturn and continuous industrial transformation and upgrade, the development of the financial leasing industry continued to slow down. According to the statistics of China Leasing Union, as of the fourth quarter of 2019, the total number of financial leasing companies in China was 12,130, up by 2.9% year-on-year, showing a significant decline in growth. The balance of financial leasing contracts in China amounted to approximately RMB6.65 trillion, up by 0.1% year-on-year.

The domestic and international economic environment is complicated and has been changing and financial deleverage and stringent regulatory policies have been pressing ahead in the PRC, thereby tightening financial environment has become the focus. Affected by the above situation, rental defaults occurred among its certain lessees, particular those in the healthcare industry, 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 results of the Group for the year ended 31 December 2019.

Through closely monitoring the market changes of the industry the Group engaged in, the Group timely adjusted its business strategy, proactively adjusted the pace of business development as and when appropriate 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 services included sale-leaseback and direct finance leasing.

Revenue decreased by approximately 27.1% from approximately RMB358.1 million for the year ended 31 December 2018 to approximately RMB260.9 million for the year ended 31 December 2019. Such decrease was mainly due to the decrease in new finance leasing business of the Group in 2019. For the year ended 31 December 2019, its finance lease income amounted to approximately RMB260.9 million (2018: approximately RMB354.6 million). The Group's advisory services primarily consist of finance leasing advisory services. For the year ended 31 December 2019, no advisory fee income was generated (2018: approximately RMB3.5 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, decreased by approximately RMB1.5 million from approximately RMB14.2 million for the year ended 31 December 2018 to approximately RMB12.7 million for the year ended 31 December 2019.

In particular, (i) the government grants, which is subject to change depending on the tax payment every year, increased by approximately RMB0.3 million from approximately RMB7.3 million for the year ended 31 December 2018 to approximately RMB7.6 million for the year ended 31 December 2019; (ii) the bank interest income increased by approximately RMB1.0 million from approximately RMB0.6 million for the year ended 31 December 2018 to approximately RMB1.6 million for the year ended 31 December 2019; (iii) the entrusted loan income decreased by approximately RMB0.8 million from approximately RMB0.8 million for the year ended 31 December 2018 to approximately RMB0 million for the year ended 31 December 2019 as such income had 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 increased by approximately RMB0.1 million from approximately RMB12.6 million for the year ended 31 December 2018 to approximately RMB12.7 million for the year ended 31 December 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 year ended 31 December 2019, the other operating expenses amounted to approximately RMB20.0 million (2018: approximately RMB21.2 million), representing approximately 7.7% of the total revenue of the Group (2018: approximately 5.9%).

Listing expenses

For the year ended 31 December 2019, the listing expenses amounted to approximately RMB10.3 million (2018: approximately RMB10.8 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 22.7% from approximately RMB241.6 million for the year ended 31 December 2018 to approximately RMB186.7 million for the year ended 31 December 2019.

In particular, (i) the borrowing costs decreased by approximately 16.1% from approximately RMB158.2 million for the year ended 31 December 2018 to approximately RMB132.8 million for the year ended 31 December 2019; (ii) the costs of bonds payable decreased by approximately 46.5% from approximately RMB70.9 million for the year ended 31 December 2018 to approximately RMB37.9 million for the year ended 31 December 2019, which was due to the maturity of three bonds payable; and (iii) the Group incurred imputed interest on deposits from finance lease customers of RMB15.6 million for the year ended 31 December 2019, representing an increase of approximately 25.8% from approximately RMB12.4 million for the year ended 31 December 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 RMB0.5 million.

Profit/loss for the year

Profit for the year decreased by approximately RMB125.3 million from the profit of approximately RMB40.6 million for the year ended 31 December 2018 to the loss of approximately RMB84.7 million for the year ended 31 December 2019. The net profit margin for the year ended 31 December 2019 was -32.5%, representing a significant drop as compared to that of 11.3% for the year ended 31 December 2018, which was due to the sizable impairment allowance provided for the finance lease receivables and the decrease in finance lease income.

Dividend

The Board did not recommend the payment of any final dividend to shareholders of the Company for the year ended 31 December 2019 (2018: nil).

Liquidity, financial resources and capital resources

As at 31 December 2019, the cash and cash equivalents amounted to approximately RMB257.6 million (31 December 2018: approximately RMB391.3 million). Working capital (current assets less current liabilities) and the total equity of the Group amounted to approximately RMB1,107.6 million (31 December 2018: net current liability of approximately RMB316.6 million) and approximately RMB1,183.1 million (31 December 2018: approximately RMB942.0 million), respectively.

As at 31 December 2019, the Group's borrowings due within one year amounted to approximately RMB23.7 million (31 December 2018: approximately RMB724.4 million) and the Group's borrowings due after one year amounted to approximately RMB1,374.0 million (31 December 2018: approximately RMB1,568.3 million).

As at 31 December 2019, the Group's bonds issued due within one year amounted to approximately RMB91.2 million (31 December 2018: approximately RMB500.9 million) and the Group's bonds issued due after one year amounted to approximately RMB189.0 million (31 December 2018: approximately RMB276.0 million).

As at 31 December 2019, the gearing ratio (dividing the total indebtedness by total equity and indebtedness as at the end of the period) was approximately 58.6% (31 December 2018: approximately 76.5%). 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. Their respective carrying amounts of such components of the finance receivables amounted to (i) approximately RMB3,371.6 million; (ii) approximately RMB476.2 million; and (iii) approximately RMB208.8 million. The finance lease receivables decreased by approximately 27.7% from approximately RMB3,714.2 million for the year ended 31 December 2018 to approximately RMB2,686.6 million for the year ended 31 December 2019, mainly due to the settled finance lease receivables and increase in allowances for impairment losses as compared to that in 2018.

The allowances for impairment losses significantly increased by approximately 207.1% from approximately RMB68.0 million as at 31 December 2018 to approximately RMB208.8 million as at 31 December 2019.

Certain customers of the Company failed to repay principals and/or interests, the Group strictly accessed the impairment allowance in accordance with IFRS. Due to such direct cause, a substantial increase in allowance for impairment losses was recorded.

In 2019, the PRC in general was undergoing an industrial transmission period. As a result, the overall domestic economy growth has slowed down, leading to significant changes in certain customers' operating environment. In addition, deleverage remains the dominant policy for the PRC's financial market over the past year. Capital supply from market has decreased while the price increased. In particular, some regional small and medium-sized banks have encountered major risks and uncertainties. Therefore, the access to external financing is becoming tighter and tighter. Given the multiple effects from market environment and financing channels, certain lessees suffered from cash flow shortage.

Under such background, on the basis of complying the International Financial Reporting Standards, the Group makes a relatively reasonable estimation on the recovery of future funds from a prudent perspective, and provided appropriate amount of impairment allowance. In case that late payment occurs on lessees, the Group will adopt active on-site collection or legal actions. Some results have been achieved to avoid the further increase of impairment allowance impairment allowance.

Finance lease commitments

As at 31 December 2019, the Group had no finance lease commitments (31 December 2018: approximately RMB0 million).

Employees and remuneration policy

As at 31 December 2019, the Group employed 28 full time employees (31 December 2018: 41) for its principal activities. Employees' benefits expenses (including Directors' emoluments) amounted to approximately RMB12.7 million for the year ended 31 December 2019 (2018: approximately RMB12.6 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, marketing, 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.

At the same time, the Group assesses its provisions using an appropriate expected credit loss model based on the relevant requirements of IFRS and its internal provision 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. The Group will regularly assess the expected credit loss model in accordance to actual loss of financial assets and adjust when necessary.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities (31 December 2018: 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. As at 31 December 2019, among the proceeds from the Global Offering, approximately RMB252.5 million have been utilized and used for expansion of finance lease business. Net proceeds will be used according to the manner as set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated 28 February 2019.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, the Group does not have any material subsequent event after 31 December 2019 up to the date of this announcement.

OUTLOOK AND PLANS

In 2019, economic globalisation experienced setbacks and the global financial market had been volatile, resulting in further downward pressure to the economy. In response to the changes in external business environment, the Group steadily promoted its business development based on the principles of risk prevention and asset monitoring reinforcement with focus on strengthening internal management and improving various systems.

Looking ahead to 2020, since the beginning of the year, the outbreak of the Novel Coronavirus Pneumonia (COVID-19) has spread worldwide. The global economic outlook is extremely grim. Also, with the further reform of interest rate marketisation and the continuous advancement of exchange rate formation mechanism, competition in the financial leasing industry has become increasingly fierce. The Board will continue to improve the corporate governance mechanism, and strive for new breakthroughs in terms of industry and geographic coverage by, subject to the Listing Rules, increasing the risk control level, enhancing asset management capability, further forging a professional and well-qualified talent team to seize the development opportunity and actively develop new customers. The Group will also pay attention to maintain the relationship with existing customers and explore deepen cooperation with quality customers, in order to achieve steady and long-term development of the Group.

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.

Mr Song Jianpeng, the late Chairman and non-executive Director, passed away on 9 October 2019. The Board will use its best endeavours to continue on its business and will consider its composition.

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.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company will be held on Friday, 12 June 2020. A notice convening the annual general meeting will be published and dispatched to the shareholders in due course in the manner required under the Listing Rules. The register of members of the Company will be closed from Tuesday, 9 June 2020 to Friday, 12 June 2020 (both dates inclusive) for the purpose of determining shareholders’ entitlement to attend and vote at the annual general meeting. In order to qualify for attending and voting at the annual general meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 8 June 2020.

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.

REVIEW OF UNAUDITED ANNUAL RESULTS

The annual results set out in this announcement have not been reviewed and verified by the Group’s auditors, SHINEWING (HK) CPA Limited.

The annual results audit process for the year ended 31 December 2019 has not been completed due to the global outbreak of Novel Coronavirus Pneumonia (COVID-19), which has prevented external auditors from obtaining some of the required information in time. The audit committee of the Company has reviewed with the management the accounting principles and practices adopted by the Group and discussed financial reporting matters including the review of the unaudited financial statements for the year ended 31 December 2019.

The Company will issue an announcement of audited results after the auditor completes the audit process in accordance with the audit criteria.

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 2019 will be despatched to shareholders of the Company and available on the above websites in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
International Alliance Financial Leasing Co., Ltd.
Li Luqiang
Executive Director and Chief Executive Officer

Hong Kong, 27 March 2020

As at the date of this announcement, the executive Directors are Mr. Li Luqiang, Mr. Li Zhixuan and Ms. Xu Juan; and the independent non-executive Directors are Mr. Liu Changxiang, Mr. Liu Xuewei and Mr. Jiao Jian.