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

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1563

ANNUAL REPORT 2019

CONTENTS

CORPORATE INFORMATION

COMPANY NAME

International Alliance Financial Leasing Co., Ltd.

STOCK CODE

1563

BOARD OF DIRECTORS

Executive Directors

Mr. LI Luqiang *(Chief Executive Officer)*
Mr. LI Zhixuan
Ms. XU Juan

Independent Non-Executive Directors

Mr. LIU Changxiang
Mr. LIU Xuewei
Mr. JIAO Jian

AUDIT COMMITTEE

Mr. LIU Xuewei *(Chairman)*
Mr. LIU Changxiang
Mr. JIAO Jian

REMUNERATION COMMITTEE

Mr. LIU Changxiang *(Chairman)*
Mr. LIU Xuewei
Mr. JIAO Jian

NOMINATION COMMITTEE

Mr. LIU Xuewei *(Chairman)*
Mr. LIU Changxiang
Mr. JIAO Jian

COMPANY SECRETARY

Ms. LI Sin Ching

REGISTERED OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681
Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 2602, 26th Floor, One Hennessy,
No.1 Hennessy Road
Wan Chai
Hong Kong

COMPANY WEBSITE

www.iaf-leasing.com

AUDITOR

SHINEWING (HK) CPA Limited

COMPLIANCE ADVISOR

Cinda International Capital Limited
45th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

HONG KONG LEGAL ADVISOR

Stevenson, Wong & Co. in association with AllBright Law Offices
Solicitors, Hong Kong
39/F, Gloucester Tower
The Landmark
15 Queens's Road Centre
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681,
Grand Cayman KY1-1111,
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East Hong Kong

PRINCIPAL BANKS

Industrial Bank Co., Ltd, Longkou Branch
No. 35-41, Nanshan Road
Longkou City, Yantai
Shandong Province, PRC

Shanghai Pudong Development Bank Co., Ltd., Tianjin Branch
Block D, Bohai Development Centre
No. 9 Binshui Road
Hexi District
Tianjin City, the PRC

CEO STATEMENT

I am hereby on behalf of the board (the "Board") of directors (the "Directors") of International Alliance Financial Leasing Co., Ltd. (the "Company") to present to the shareholders of the Company the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2019 (the "Reporting Period").

2019 is the first year for the Company to go public. During this year, changes in the domestic and foreign macroeconomic situation have brought many challenges to the Company's operation. Under such complicated situations with the widened resource imbalance in financial markets and that the Company has experienced the emergency of the chairman of the board passed away unfortunately, the Company's board of directors and management insistently continue to control the overall operating cost, optimize the service efficiency of funds in accordance with the way of the emphasis on the compliance operation, risk control, steady development, with an aim to strengthen the effectiveness of asset management. However, subject to factors such as financial deleveraging policies pressed ahead by the PRC and strain on financing environment, rental defaults occurred among certain lessees, resulting in significant impact on the results of the Group.

The macroeconomic environment in the coming years is expected to be complex, and the market environment will remain challenging. However, as the development of new infrastructure promoted by the PRC, update and application of new scientific and technological means, and the upcoming *Interim Measures for the Supervision and Administration of Financial Leasing Enterprises* (《融資租賃公司監督管理暫行辦法》), the development of financial leasing industry will also usher in new opportunities.

Our team has extensive experience in the financial leasing or financial industry, and has witnessed the ups and downs and periodic fluctuations of the market. We believe that with the active efforts of all employees of the Company, the Company can overcome current difficulties, improve operating performance, and gradually implement the financial technology strategy to achieve steady and long-term development of the Group.

Finally, on behalf of the Board, I would like to express our sincere gratitude towards shareholders, business partners, customers and all staff for their continuous support. The Company will do its utmost to improve the Company's performance and create greater value for shareholders and all parties in the society.

Li Luqiang
Executive Director and CEO
International Alliance Financial Leasing Co., Ltd.

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. 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, industrial shift and system optimization, thus experiencing greater pressure on economic downturn. In 2019, China's gross domestic product was RMB99.1 trillion, year-on-year growth rate was narrowed to 6.1%, a decrease by 0.6 percentage points from 2018.

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 at the fourth quarter of 2019, the total number of financial leasing companies in China was 12,130, year-on-year growth rate was 2.9%, showing a significant narrowing of growth rate. The balance of financial leasing contracts in China amounted to approximately RMB6.65 trillion, increased by 0.1% year-on-year.

The domestic and international economic environment is complicated and ever-changing. As the PRC presses ahead financial deleverage and stringent regulatory policies particularly, strain on financial environment has become the focus. Affected by the above situation, rental defaults occurred among certain lessees of the Company, particularly 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 financial performance of the Group for the year ended 31 December 2019.

Through closely monitoring the market changes of the industry which the Group is 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 standard 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 nil 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 less than 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 approximately 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.

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: 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.

The Group's risk management department is responsible for the managing and monitor of the Group's market risk, credit risk and liquidity risk to ensure appropriate measures are implemented on a timely and effective manner. Policies and details of which are set out on pages 107 to 115 in Note 33 to the Consolidated Financial Statements.

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 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.

Finance lease commitments

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

MANAGEMENT DISCUSSION AND ANALYSIS

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the financial year ended 31 December 2019, the Group did not have any material acquisitions or disposals of subsidiaries and affiliated companies.

CHARGE OF GROUP'S ASSETS

Save as disclosed in the prospectus of the Company dated 28 February 2019, the Group did not have any charges on group assets during the financial year ended 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2019, the Group did not have other plans for material investments and capital assets. The Group may look into business and investment opportunities in different business areas and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.

FOREIGN EXCHANGE RISK

The Group receives majority of payments from customers in Renminbi and majority of the Group's revenue and costs are also denominated in Renminbi. The Group may need to convert and remit Renminbi into foreign currencies for the payment of dividends, if any, to holders of shares of the Company. The Group assets and liabilities are mainly denominated in Renminbi, US dollar and Hong Kong dollar.

The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily in respect to the Renminbi. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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

Please refer to the paragraph headed "Events after the Reporting Period" under the section "Report of the Directors" on page 40 of this Report.

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.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. LI Luqiang (李璐強), aged 51, is an executive Director and chief executive officer. He was appointed to our Board as a Director on 13 January 2016 and was designated as an executive Director on 20 June 2018. He is primarily responsible for strategic planning and overall management of the Group, overseeing the business operations, finance and human resources. Mr. Li Luqiang has been a director and general manager of Nanshan Financial Leasing (Tianjin) Co., Ltd.* (南山融資租賃(天津)有限公司) ("Nanshan Leasing") since January 2014. He also served various positions with other members of the Group as follows:

Company Name	Position	Period of Service
Nanshan Baotian (Tianjin) Leasing Co., Ltd.* (南山寶田(天津)租賃有限公司)	Executive director and manager	Since January 2015
Nanshan Baochang (Tianjin) Leasing Co., Ltd.* (南山寶昌(天津)租賃有限公司)	Executive director and manager	Since July 2015
Baochun Alliance Limited (友聯寶純有限公司)	Director	Since August 2015
Baoyin Alliance Limited (友聯寶音有限公司)	Director	Since August 2015
Baoqing Alliance Limited (友聯寶慶有限公司)	Director	Since August 2015
Beijing Nanshan Jinchuang Information Consulting Co., Ltd.* (北京南山金創信息諮詢有限公司)	Executive director and manager	Since January 2016
Tianjin Rongjin Enterprise Management & Consulting Co., Ltd.* (天津融金企業管理諮詢有限公司)	Executive director	Since September 2016
Hong Kong Alliance Financial Leasing Co., Limited (香港友聯租賃有限公司)	Director	Since December 2016
Lian Hai Finance Limited (聯海財務有限公司)	Director	Since December 2019

Mr. Li Luqiang has around 20 years of experience in the finance leasing industry. From July 1995 to July 2001, Mr. Li Luqiang worked at the business department of International Union Leasing Co., Ltd. (友聯國際租賃有限公司), where he was responsible for financial analysis, risk management, business development and collection of lease payments. Between February 2004 and May 2007, Mr. Li Luqiang worked for Guangcai Investment Group* (光彩事業投資集團) (now known as Fanhai Energy Holdings Co., Ltd.* (泛海能源控股股份有限公司)), an investment and asset management company, as the vice president of Investment Department, responsible for investor relationship and corporate governance. Mr. Li Luqiang served as executive president in Fenghui Leasing Co., Ltd. (豐匯租賃有限公司) from December 2008 to December 2009. At that time, he was mainly responsible for management of leasing business. Prior to joining the Group, he worked for Chengtong Financial Leasing Company Limited (誠通融資租賃有限公司), and served as the leasing business director from January 2010 to March 2013. At that time, he was primarily responsible for financing and leasing business.

In July 1991, Mr. Li Luqiang obtained a bachelor degree of Engineering in Mechanical Design and Manufacturing from Beijing Union University (北京聯合大學) in Beijing, PRC. He obtained a master of commerce degree in international professional accounting and a master of commerce degree in finance from the University of New South Wales in Sydney, Australia, in October 2001 and October 2002, respectively. He was admitted as an associate of CPA Australia in October 2001 and became a certified practising accountant of CPA Australia in August 2006.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. LI Zhixuan (李枝選), aged 45, is an executive Director and deputy general manager. He was appointed to the Board as a Director on 7 September 2016 and was designated as an executive Director on 20 June 2018. He is primarily responsible for the Group's operation and risk management.

Mr. Li Zhixuan has over 10 years of experience in asset management and risk control. Mr. Li Zhixuan has been a deputy general manager of Nanshan Leasing since March 2015. He served as a business director of the Shanghai business centre of China Industrial International Trust Limited (興業國際信託有限公司) from December 2003 to August 2005, responsible for business development of trust plans. From August 2005 to June 2007, he worked in Shanghai Lianxin, Zhucheng Investment Management Limited (上海聯信築城投資管理有限公司) as business director, where he was responsible for trust business and investment management. From June 2007 to February 2011, he worked in China Fortune International Trust Co., Ltd. (華鑫國際信託有限公司) as a general manager of its trust department, where he was responsible for design of trust strategy and asset management. From September 2011 to December 2013, Mr. Li Zhixuan worked in ABC International (China) Investment Co., Ltd. (農銀國際(中國)投資有限公司), with his last position as a managing director. Prior to joining the Group, he served as a deputy general manager of ABC Energy Investment Fund Management Co., Ltd. (農銀能投(北京)投資基金管理有限公司) from January 2014 to February 2015, responsible for the company's strategic planning and capital market projects.

In July 1998, Mr. Li Zhixuan graduated from Hunan College of Finance and Economics (湖南財經學院) (now being part of Hunan University (湖南大學)) in Changsha, Hunan Province, PRC with a bachelor degree of International Economics in International Finance. In January 2009, he obtained a master degree of Business Administration from Shanghai University of Finance and Economics (上海財經大學) in Shanghai, PRC. Mr. Li Zhixuan passed the securities practice qualification examination in securities transaction and securities investment analysis of the Securities Association of China (中國証券業協會) in April 2000 and June 2001, respectively, and the funds practice qualification examination in basic knowledge on securities and investment funds and Laws and regulations on funds, professional conduct and industry compliance of the Asset Management Association of China (中國証券投資基金業協會) in June 2016.

Ms. XU Juan (許娟), aged 39, is an executive Director. She was appointed to the Board as a Director on 25 May 2018 and was designated as the executive Director on 20 June 2018. She is primarily responsible for our Groups' finance and accounting management. Ms. Xu is the general manager of the finance department of Nanshan Leasing and a director of HK Alliance. She joined the Group in February 2014 as a finance manager and was promoted to finance general manager in May 2014, responsible for financial, tax, foreign exchange, accounting and auditing, and matters related to financial analysis, investor relations and liaison with regulatory authorities.

Ms. Xu has over 10 years of experience in finance and accounting. She was an accountant of Dandong Dongfang Measurement & Control Co., Ltd. (丹東東方測控技術股份有限公司) from July 2006 to October 2008. Between November 2008 and April 2010, Ms. Xu worked for Phillips Jianxing Digital System (Shanghai) Co., Ltd.* (飛利浦建興數字系統(上海)有限公司) as the accountant-in-charge, responsible for financial accounting and auditing functions of the company. Before joining the Group, Ms. Xu served as the senior financial manager of Doosan (China) Financial Leasing Corporation (鬥山(中國)融資租賃有限公司) from May 2010 to February 2014, responsible for financial and tax accounting, auditing and financing.

In July 2006, Ms. Xu graduated from Jilin University (吉林大學) in Changchun, PRC with a bachelor degree of Management in Accounting. She was conferred the Certificate of Accounting Professional by the Liaoning Provisional Department of Finance in October 2006. She was also accredited as a junior accountant in August 2007 by the Liaoning Provisional Department of Personnel.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU Changxiang (劉長祥), aged 65, is an independent non-executive Director. He was appointed to the Board on 20 February 2019. Mr. Liu is mainly responsible for providing independent advice to the Group.

Mr. Liu Changxiang has over 20 years of experience in the banking and finance leasing industry. Mr. Liu Changxiang served as a representative and chief representative of the Tokyo representative office of China Construction Bank from December 1993 to December 1999, responsible for liaising with various government departments and financial institution in Japan and conducting industry research. For the period from April 2000 to April 2015, Mr. Liu Changxiang worked for JIC Leasing Company Limited (中建投租賃股份有限公司), formerly known as International Union Leasing Co. Ltd (友聯國際租賃有限公司), under the assignment of China Construction Bank and was assumed the role of deputy general manager and director one after the other. From April 2015 to April 2017, he worked in JIC Leasing (Shanghai) Co., Limited (中建投租賃(上海)有限責任公司), a subsidiary of JIC Leasing Company Limited, and was responsible for the general management and daily operations of the company.

In January 1982, Mr. Liu Changxiang graduated from the Beijing Normal University in Beijing, PRC with a bachelor degree of Arts in Japanese.

Mr. LIU Xuewei (劉學偉), aged 49, is an independent non-executive Director. He was appointed to the Board on 20 February 2019. Mr. Liu Xuewei is mainly responsible for providing independent advice to the Group.

Mr. Liu Xuewei is a certified public accountant and certified public valuer in China. He has over 10 years of experience in accounting. Mr. Liu Xuewei served as the operation manager of Yantai office of Shandong Huide Certified Public Accountants* (山東匯德會計師事務所有限公司) from January 2004 to March 2013. Mr. Liu Xuewei has been a partner of Hexin Certified Public Accountants LLP in Shandong (山東和信會計師事務所（特殊普通合夥）) and the head of its Zhifu branch in Yantai, Shandong since April 2013, responsible for the management and operations of its Zhifu branch.

In July 1992, Mr. Liu Xuewei graduated from Jiangxi College of Finance and Economics (江西財經學院) (now Jiangxi University of Finance and Economics (江西財經大學)) in Nanchang, PRC with a bachelor degree of Economics in Finance.

Mr. JIAO Jian (焦健), aged 46, is an independent non-executive Director. He was appointed to the Board on 20 February 2019. Mr. Jiao is mainly responsible for providing independent advice to the Group. Mr. Jiao worked for Inner Mongolia Jian Zhong Law Firm (內蒙古建中律師事務所) from September 1996 to December 2006, where he had been a partner of the firm since October 2000. Mr. Jiao has been a partner of Beijing Zhongzhou Law Firm (北京市中洲律師事務所) since December 2006, and is primarily responsible for corporate, securities and finance-related projects.

In July 1996, Mr. Jiao graduated from China University of Political Science and Law (中國政法大學) in Beijing, PRC with a bachelor degree of law. He was accredited as a PRC lawyer by the Ministry of Justice of China in June 1998.

* *for identification purposes only*

BIOGRAPHICAL DETAILS OF DIRECTORS

GENERAL

Save as disclosed, none of the Directors:

(i) held any other positions in the Company or other members of the Group as at the date of this report;

(ii) had any other relationship with any Directors, senior management or substantial shareholders or controlling shareholders of the Company as at the date of this report;

(iii) held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the date of this report; and

(iv) have any interest in the Shares within the meaning of Part XV of the SFO or is a director or an employee of a company which has an interest or short position in the Shares and underlying shares of the Company.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, there were no other matters with respect to the appointment of the Directors that needs to be brought to the attention of shareholders of the Company and there was no information relating to the Directors that was required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the date of this report.

COMPANY SECRETARY

Ms. LI Sin Ching (李蒨菁) is a manager of Corporate Services of Tricor Services Limited, Asia's leading business expansion specialist specializing in integrated business, corporate and investor services. Ms. Li has over 8 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as private and offshore companies. Ms. Li is currently the company secretary of Central Holding Group Co., Ltd., a company listed on the Stock Exchange. Ms. Li is a chartered secretary and an associate of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute (formerly The Institute of Chartered Secretaries and Administrators) in the United Kingdom.

CORPORATE GOVERNANCE REPORT

The Board hereby presents to the Shareholders the corporate governance report for the period from 1 January 2019 to 31 December 2019 (the "Period").

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 of the Stock Exchange. For the Period, the Board of the Company has performed the corporate governance duties which include the following: (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct applicable to employees and Directors; and (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company ("Corporate Governance Report") under the Listing Rules. The Company was in compliance with the CG Code during the Period.

BOARD OF DIRECTORS

Board Composition

The composition of the Board and its changes during the Period and up to the date of this report are as follows:

Executive Directors

Mr. LI Luqiang *(Chief Executive Officer)*
Mr. LI Zhixuan
Ms. XU Juan

Non-Executive Directors

Mr. SONG Jianpeng *(Chairman)* (passed away on 9 October 2019)
Mr. CHEN Chih Yung (retired on 11 June 2019)
Mr. GAO Guiwei (retired on 11 June 2019)

Independent Non-Executive Directors

Mr. LIU Changxiang
Mr. LIU Xuewei
Mr. JIAO Jian

Responsibilities of the Board

The functions and duties of the Board include, but are not limited to, convening general meetings, reporting on the performance of the Group at general meetings, implementing resolutions passed at general meetings, formulating business and investment plans, preparing annual budget and final accounts, preparing proposals on profit distribution and increasing or decreasing the registered capital, as well as exercising other authorities, functions and responsibilities in accordance with the articles of association of the Company. The biographies of the Directors are set out on pages 11 to 14 of this report under the "Biographical Details of Directors".

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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.

During the period from 1 January 2019 to 8 October 2019 when Mr. Song Jianpeng was the Chairman, the roles of the chairman and chief executive officer were segregated to ensure their respective independence, accountability and responsibility. Mr. Song Jianpeng, the chairman of the Group provided leadership and was responsible for the Group's strategic planning and the management of the operations of the Board, while Mr. Li Luqiang, the chief executive officer of the Group is responsible for carrying out the policies of the Board, takes the lead in the Group's operations and business development, and focuses on the daily management and operations generally. There is a clear division of responsibilities between the chairman and chief executive officer, which provides a balance of power and authority.

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDS")

During the Period, the Board at all times complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules relating to the appointment of at least three INEDs representing at least one-third of the Board with at least one of them has possessed relevant professional qualifications or accounting or related financial management expertise. A written annual confirmation of their independence satisfied with guidelines set out in Rule 3.13 of the Listing Rules have been received from each of the INEDs and the Company considers each of them to be independent. The Company is of the opinion that its INEDs with their wide spectrum of knowledge and extensive business experience, will objectively scrutinise the Company's performance. Each of the INEDs will inform the Company in writing as soon as practicable if there is any change of circumstances which may affect his independence. The INEDs are also subject to rotation at annual general meetings pursuant to the articles of association of the Company.

The Company will maintain an updated list of its Directors identifying their roles and functions on websites of the Company and the Stock Exchange. INEDs are identified in all corporate communications that disclose the names of Directors.

All the Non-Executive Directors and INEDs have entered into appointment letters with the Company on 20 February 2019 for a term of three years (after which he may offer himself for re-election as Directors in an annual general meeting). Such appointment letters may be terminated in accordance with the terms therein.

Appointment and Rotation of Directors

Pursuant to articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

Board Meetings and Attendance

In accordance with Appendix 14 of the Listing Rules, Code Provision A1.1 prescribes that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of the Directors, either in person or through other electronic means of communication.

During the Period, seventeen Board meetings and two general meeting were held and the attendance record of each Director is set out in the table below:

Directors	Attended/Eligible to attend the Board meeting(s) (Note 1)	Attended/Eligible to attend the general meeting(s)
Mr. LI Luqiang	17/17	2/2
Mr. LI Zhixuan	17/17	2/2
Ms. XU Juan	17/17	2/2
Mr. SONG Jianpeng (chairman) (passed away on 9 October 2019)	15/15	1/1
Mr. CHEN Chih Yung (retired on 11 June 2019)	5/5	1/1
Mr. GAO Guiwei (retired on 11 June 2019)	5/5	1/1
Mr. LIU Changxiang	18/18	2/2
Mr. LIU Xuewei	18/18	2/2
Mr. JIAO Jian	18/18	2/2

Note 1: Including a meeting between the chairman and the independent non-executive directors without the presence of other directors.

ROLE AND RESPONSIBILITIES OF THE DIRECTORS AND DELEGATION TO MANAGEMENT

The Board has overall responsibility for the leadership and control of the Group, including the responsibilities for the formulation of long-term strategies, and appointing and supervising senior management to ensure that the operation of the Company is conducted in accordance with the objective of the Group; and is collectively responsible for directing and supervising the Group's affairs.

The Board directly, and indirectly through its committees, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Group. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Group are delegated to the management.

The INEDs are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors, including non-executive Directors and INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Company has adopted a memorandum on respective functions of the board of directors and the management and corporate governance function of the board of directors, which set out delegation of functions to management, including management and day-to-day operation of the Group. The delegated functions and responsibilities will be reviewed by the Board from time to time. Approval has to be obtained from the Board prior to enter into any notifiable transaction or connected transaction for the Company under the Listing Rules.

BOARD COMMITTEES

We have established the following committees under the Board: the audit committee (the "Audit Committee"), the remuneration committee (the "Remuneration Committee") and the nomination committee (the "Nomination Committee") of the Company. The committees operate in accordance with the terms of reference established by the Board. The terms of reference of the Audit committee, Nomination Committee and Remuneration Committee are posted on the websites of the Company and the Stock Exchange.

Audit Committee

The Audit Committee has three members, namely Mr. LIU Xuewei (劉學偉) (Chairman), Mr. JIAO Jian (焦健) and Mr. LIU Changxiang (劉長祥). The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statement and supervise the financial reporting process, internal control system and risk management system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by the Board.

During the Period, the Company has held four meetings of Audit Committee respectively in March 2019, April 2019, August 2019 and December 2019 and all three members of the Audit Committee attended all meetings. During one of the meetings, the Audit Committee has reviewed with the external auditors the accounting principles and practices adopted by the Group, internal controls and financial reporting matters, interim and annual results of the Group of the Reporting Period and proposed adoption of the same by the Directors. The Audit Committee also reviewed the risk management and internal control design of the Company during the Period. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and risk management and other matters. During the meeting on December 2019, the Audit Committee acknowledged the resignation of Deloitte Touche Tohmastsu, the Company's former auditor, reviewed the proposed appointment of SHINEWING (HK) CPA Limited, and made recommendation to the Board. The Board has adopted the recommendation from the Audit Committee.

Remuneration Committee

The Remuneration Committee has three members, namely Mr. LIU Changxiang (劉長祥) (Chairman), Mr. JIAO Jian (焦健) and Mr. LIU Xuewei (劉學偉). The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangements.

During the Period, the Company has held a meeting of Remuneration Committee in March 2019 and all three members of the Remuneration Committee attended the meeting. During the meeting, the Remuneration Committee had reviewed the current remuneration of some of the Directors and made recommendations to the Board. The Board has adopted the recommendations from the Remuneration Committee.

Remuneration payable to senior management (excluding Directors) for the year ended 31 December 2019 within the band of below HK$1,500,000 comprises 1 individual. Details of the remuneration of the Directors for the year ended 31 December 2019 are shown in note 14 to the financial statements.

Nomination Committee

The Nomination Committee has three members, namely Mr. LIU Xuewei (劉學偉) (Chairman), Mr. JIAO Jian (焦健) and Mr. LIU Changxiang (劉長祥). The primary duties of the Nomination Committee are to make recommendations to the Board on the appointments of the Directors, assess the independence of the INEDs, take up references and consider related matters.

During the Period, the Company has held a meeting of Nomination Committee in March 2019 and all three members of the Nomination committee attended the meeting. During the meeting, in which the Nomination Committee had reviewed the current Board's structure, size and composition independence of INEDs and made recommendations of directors for election in the annual general meeting which has taken place on 11 June 2019.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities of the Directors and officers in respect of any legal actions taken against the Directors and officers that may arise out of the corporate activities. The insurance coverage will be reviewed on an annual basis.

SECURITIES DEALING CODE

The Company has adopted a securities dealing code (the "Securities Dealing Code") regarding securities transactions by Directors and employees on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") 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 the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors throughout the Period.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Induction materials and relevant guideline materials regarding the duties and responsibilities of being a director, the relevant laws and regulations applicable to directors, duty of disclosure of interests and business in the Group will be provided to newly appointed Directors shortly upon their appointment as Directors to ensure appropriate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Particulars of Directors' participation in continuous professional development activities during the Period are summarised as follows:

Name of Director	Reading materials on the topics related to regulations	Attending training courses on the topics related to regulations on 23 April 2019	Attending training courses on the topics related to regulations on 1 November 2019
Executive Directors			
Mr. LI Luqiang	✓	✓	✓
Mr. LI Zhixuan	✓	✓	✓
Ms. XU Juan	✓	✓	✓
Non-Executive Directors			
Mr. SONG Jianpeng *(chairman)* (passed away on 9 October 2019)	✓	✓	N/A
Mr. CHEN Chih Yung (retired on 11 June 2019)	✓	✓	N/A
Mr. GAO Guiwei (retired on 11 June 2019)	✓	✓	N/A
Independent Non-Executive Directors			
Mr. LIU Changxiang	✓	✓	✓
Mr. LIU Xuewei	✓	✓	✓
Mr. JIAO Jian	✓	✓	✓

The Company will from time to time provide trainings and all Directors are encouraged to attend relevant training courses at the Company's expense. Effective from the Listing Date, all Directors have been required to provide the Company with their training records.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

The remuneration paid to and/or entitled by each of the Directors for the year ended 31 December 2019 is RMB3.43 million.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

Deloitte Touche Tohmatsu ("DTT") had been the Company's external auditor since the date of Listing until on 24 December 2019. DTT submitted a letter to the Board on 24 December 2019 informing the Company that DTT has decided to resign after considering factors including the professional risk associated with the audit, the level of audit fees and their available internal resources in the light of current work flows. The Audit Committee considered that services performed by DTT have no adverse effect on the independence of DTT. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of DTT. During the Reporting Period, the remuneration paid/payable to DTT for the year ended 31 December 2019 is set out as follows:

Amount of Fees

	RMB'000
Type of services provided by DTT	
Audit Service	1,170
Non-audit services	825

The Company has subsequently appointed SHINEWING (HK) CPA Limited ("SHINEWING") as the Company's external auditor with effect from 10 February 2020. The Audit Committee considered that these audit and non-audit services have no adverse effect on the independence of SHINEWING. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of SHINEWING. During the Reporting Period, the remuneration paid/payable to SHINEWING for the year ended 31 December 2019 is set out as follows:

Amount of Fees

	RMB'000
Types of services provided by SHINEWING	
Audit Service	750

DIRECTORS' AND AUDITORS' RESPONSIBILITY OF FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company for each financial year with a true and fair view of the financial position of the Group.

The Directors consider that the Company's consolidated financial statements are prepared in accordance with all statutory requirements and appropriate accounting standards are applied consistently.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The statement by the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition through implementation of a set of internal control procedures. Internal control procedures are intended to manage significant risks in the Group's business activities and bring them to an acceptable level.

1. Board of Directors' Responsibilities

The Board recognises its responsibility for the risk management and internal control systems and reviewing their adequacy and effectiveness. The Board conducts annual review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions.

2. Risk Management Process

The risk management process is cascaded throughout the Group, from the Board level to management level.

Project approval committee ("PAC") was established in March 2014 and it directly reports to the Board. The primary duties of the PAC are to formulate and monitor the implementation of the Group's major risk management policies and systems. It is in charge of reviewing the feasibility, risk prevention and mitigation measures of finance leasing projects.

Senior management and department heads are required to identify, evaluate and manage risks associated with business operations on an on-going basis with defined parameters, and record these in the risk registers. For each risk identified, management assesses their root causes, consequences and mitigating controls. Such assessment takes into account of i) probability of the risk occurrence and ii) degree of potential loss. The result of the assessment is summarised on a risk register and is reviewed by the Board. It is mandatory for this process to be conducted at least once a year.

Apart from the risk management process, the legal department monitors compliance with relevant laws and regulations which govern the Group's businesses.

3. Corporate Governance Function

The Board and senior management are responsible for performing duties on corporate governance and compliance functions as set out below:

i) developing and reviewing the Group's policies and practices on corporate governance;

ii) reviewing and monitoring the training and continuous professional development of directors and senior management;

iii) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;

iv) developing, reviewing and monitoring the code of conduct applicable to employees and directors; and

v) reviewing the Group's compliance with the CG Code and disclosure in the corporate governance report of the Company.

The Group had provided Directors with trainings, development programs and/or updates regarding the legal and regulatory requirements applicable to the business operations of the Group.

4. Internal Audit Function

The Board conducts a review on the Group's internal control system on an annual basis. During the Reporting Period, the Group engaged an outsourced internal control consultant to review the Group's internal control system for the year ended 31 December 2019 and no significant risk and control deficiencies were identified.

The internal control review covered the following areas:

i) Risk management process

ii) Risk assessment process

iii) Compliance on the Appendix 14 of the Listing Rules, including without limitation to:

A. Directors

- Board
- Chairman and Chief Executive
- Composition of Board
- Appointment, re-election and removal
- Nomination committee
- Directors' responsibilities
- Provision and use of information

B. Directors and Senior Management Remuneration

- Remuneration, disclosure and composition

C. Accountability and Audit

- Financial reporting
- Risk management and internal control
- Audit committee

D. Delegation by the Board

- Management function
- Board Committees
- Corporate governance function

E. Shareholders' communication

- Effective communication
- Decision making by voting

F. Company Secretary

5. Confirmation from the Board and the Audit Committee on the Group's Risk Management and Internal Control

The Board and the Audit Committee have conducted a review on the adequacy and effectiveness of the Group's risk management and internal control system for the year ended 31 December 2019 and there was no material control failures or adverse compliance events that have directly resulted in any material loss to the Group.

The Group will continue to strengthen its internal control system in order to maintain proper corporate governance and safeguard the interest of its shareholders.

NOMINATION POLICY

The Company has also adopted the director nomination policy (the "Director Nomination Policy").

The Director Nomination Policy sets out the nomination criteria of a proposed candidate, including without limitation to the following: (i) qualifications including professional qualifications, skills, knowledge and experience, requirements of independent non-executive Directors on the Board; (ii) character and integrity; (iii) diversity in all aspects, including without limitation to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience, length of service; (iv) commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company; (v) independence of the proposed Independent non-executive Directors in accordance with the Listing Rules; and (vi) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The Director Nomination Policy also sets out the following nomination procedure:

i) If the Nomination Committee determines that an additional or replacement Director is required, the secretary of the Nomination Committee shall convene a meeting, and invite nominations from the Board members (if any) prior to the meeting, and the Nomination Committee may also put forward candidates which are not nominated by the Board members. The Nomination Committee shall take such measures that it considers appropriate in connection with its identification and/or evaluation of a candidate.

ii) In the context of appointment of any proposed candidate to the Board, the Nomination Committee shall submit the candidate's personal profile and a proposal to the Board for its consideration. In order to be a valid proposal, the proposal must clearly indicate the nominating intention and the candidate's consent to be nominated and the personal profile must incorporate and/or be accompanied by the full particulars of the candidate that are required to be disclosed under the Listing Rules, including the information and/or confirmation required under Rule 13.51(2) of the Listing Rules. If the candidate is proposed to be appointed as an INED, his or her independence shall be assessed in accordance with the factors set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

iii) In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

iv) In the context of shareholders' nomination of any proposed candidate for election as a Director, the Nomination Committee shall refer to the "Procedures for Nomination of Directors by Shareholders", which is available on the Company's website.

v) The Board shall have the final decision on all matters relating to its recommendations of candidates to stand for election at a general meeting, the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board.

During the Period, the Nomination Committee has performed the following major tasks:

i) Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company with due regard for the benefits of diversity on the Board;

ii) Recommendation of the re-appointment of those directors standing for re-election at the AGM; and

iii) Assessment of the independence of all the INED.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of diversity at Board level and has commitment to diversity at all levels through consideration of a number of factors, including without limitation to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience, length of service and any other factors that the Board may consider relevant and applicable from time to time. The Board adopted a board diversity policy on 20 February 2019. The Board will review this policy from time to time and to ensure the effectiveness of the policy.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy") on payment of dividends, including the proposal of declaration and/or payment of dividend and determination of the dividend amount. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, interim and/or special dividends may be proposed and/or declared by the Board in its sole and absolute discretion during a financial year and any final dividends for a financial year will be subject to the shareholders' approval.

COMPANY SECRETARY

Mr. Lau Kwok Fai Patrick was appointed as company secretary of the Company on 1 May 2018. During the Period, Mr. Lau has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

Mr. Lau has resigned as company secretary on 8 October 2019 and confirmed that he has no disagreement with the Board and there is no matter in relation to his resignation that needs to be brought to the attention of the Stock Exchange or the shareholders of the Company.

Ms. Li Sin Ching ("Ms. Li") of Tricor Services Limited ("Tricor"), our external service provider of company secretarial services, has been appointed as the company secretary of the Company in replacement of Mr. Lau with effect from 8 October 2019. Details of the said change of secretaries are set out in the Company's announcement dated 8 October 2019.

Tricor's primary contact persons at the Company are Mr. Li Luqiang, an executive Director, and Mr. Sheng Yikai, business director of the Company.

During the year ended 31 December 2019, Ms. Li has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolution should be proposed for each substantial issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of Stock Exchange after each general meeting.

The Company engages with shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has established a shareholders' communication policy and the Board reviews it regularly to ensure its effectiveness. Under this policy, the Company communicates with its shareholders and the investment community mainly through various means: (i) the holding of annual general meetings and other general meetings; (ii) the timely publication of the Company's announcements, interim and annual financial reports, and/or circulars as required under the Listing rules; (iii) constitutional documents of the Company and Board committee; and (iv) the availability of all the disclosures submitted to the Stock Exchange and any of the Company's corporate communications and publications on the Company's website at www.iaf-leasing.com.

Shareholders and investors are welcome to visit the Company's website to raise enquiries through the Investor Relations Department whose contact details are available on the Company's website and the "Corporate Information" of this report.

The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the articles of association of the Company and the Listing Rules and shareholders are encouraged to attend and participate in general meetings. The chairman of the Board and the chairman of the Board committees, or their delegates and the external auditors will attend the annual general meeting to answer any questions from shareholders. Notice of the annual general meeting, setting out details of each proposed resolution, voting procedures and other relevant information, will be sent to all shareholders not less than 21 clear days and not less than 20 clear business days prior to the date of the meeting.

Procedures for shareholders to convene extraordinary general meetings

Pursuant to Article 58 of the articles of association of the Company, any one or more shareholder(s) holding at the date of the requisition not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the board of directors or the company secretary of the Company, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition (the "Requisition").

The Requisition shall be made either in hard copy form by post to the Company's principal place of business in Hong Kong at Unit 2602, 26th Floor, One Hennessy, No. 1 Hennessy Road, Wan Chai, Hong Kong for the attention of the Board of Directors/Company Secretary or via email to IR@iaf-leasing.com.

If the Board does not within 21 days from the date of deposit of the Requisition proceed to convene the meeting to be held within two months after the deposit of Requisition, the requisitionist(s) themselves, and all reasonable expenses incurred by the requisitionist(s) shall be reimbursed to them by the Company.

Procedures for shareholders to put through proposals at general meetings

Any shareholder who wishes to put forward proposals at a general meeting of the Company shall submit such proposals to the Board in writing for the Board's consideration either via mail to the Company's principal place of business in Hong Kong at Unit 2602, 26th Floor, One Hennessy, No. 1 Hennessy Road, Wan Chai, Hong Kong for the attention of the Board of Directors/Company Secretary or via email to IR@iaf-leasing.com not less than fourteen days and not less than ten clear business days prior to the date of the general meeting.

Procedures for shareholders to put forward enquiries to the Board

To put forward any enquiries to the Board, shareholders shall send their written enquiries to the Company. The Company will normally not deal with verbal or anonymous enquiries.

Address:	Unit 2602, 26th Floor, One Hennessy, No.1 Hennessy Road, Wan Chai, Hong Kong for the attention of the Board of Directors/Company Secretary
Email:	IR@iaf-leasing.com

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the registered shareholders shall contact the Company's Hong Kong branch share registrar and transfer office as follows:

Address:	Tricor Investor Services Limited Level 54, Hopewell Centre 183 Queen's Road East Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Tel:	(852) 2980 1333
Fax:	(852) 2810 8185

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above addresses, where appropriate, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Constitutional Documents

The amended and restated memorandum and articles of association of the Company (the "Amended and Restated M&A") was adopted on 20 February 2019 and took effect from the Listing Date on 15 March 2019. A copy of the Amended and Restated M&A is available on both the websites of the Company at www.iaf-leasing.com and the Stock Exchange at www.hkexnews.hk. There was no significant change in the Amended and Restated M&A during the Period.

REPORT OF THE DIRECTORS

The Directors of the Company are pleased to present the annual report of 2019.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group are principally engaged in offering finance lease service. Details of the principal activities and other particulars of its principal subsidiaries are set out in Note 36 to the consolidated financial statements.

FINANCIAL RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income in this report. The Board of Directors does not recommend the payment of any final dividend for the year ended 31 December 2019.

SUMMARY OF FINANCIAL INFORMATION

A summary of the financial results and the assets and liabilities of the Group for the last four financial years, as extracted from the published audited consolidated financial statements, are set out on page 120. This summary does not form part of the audited consolidated financial statements.

GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on 15 March 2019. Net proceeds from the Global Offering was approximately HK$354.3 million (after deducting underwriting commission and other estimated expenses payable by the Company in connection with the Global Offering). Please refer to the "Management Discussion and Analysis" section in this report for more details regarding the use of proceeds since the Listing Date up to the date of this report.

CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2019, the Group's five largest customers accounted for approximately 16.14% (2018: approximately 17.8%) of the Group's total revenue and the largest customer accounted for approximately 3.97% (2018: approximately 5.5%) of total revenue.

Due to the nature of the business, the Group does not have any significant contribution from major suppliers during the normal course of business. However, the Group relied substantially on interest-bearing borrowings and asset-backed securities to operate business and has established strong relationships with various financial institutions.

Save as disclosed under the section headed "Connected Transactions" in this report, as far as the Directors are aware, none of the Directors or any of their close associates, or any shareholders (which, to the knowledge of the Directors, owns more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers and suppliers for the year ended 31 December 2019.

REPORT OF THE DIRECTORS

PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of principal subsidiaries of the Company are set out in note 36 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in plant and equipment are set out in note 15 to the consolidated financial statements.

BORROWINGS AND BONDS ISSUED

Particulars of borrowings and bonds issued of the Group as at 31 December 2019 are set out in notes 24 and 25 to the consolidated financial statements.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the date of Listing to the date of this report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2019 are set out in note 27 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group for the year ended 31 December 2019 are set out in Notes 37 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

In accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account may be applied by the Company to pay distribution or dividends to shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company shall be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2019, the Company's reserves available for distribution amounted to approximately RMB1,204.1 million (31 December 2018: RMB880.8 million). Such amount includes the Company's share premium.

PRE-EMPTIVE RIGHTS

The shares of the Company are not subject to any pre-emptive or similar rights under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands or pursuant to the memorandum and articles of association of the Company.

REPORT OF THE DIRECTORS

DIRECTORS AND SERVICE CONTRACTS

The Directors since 1 January 2019 and up to the date of this report were:

Executive Directors

Mr. LI Luqiang *(Chief Executive Officer)*
Mr. LI Zhixuan
Ms. XU Juan

Non-Executive Directors

Mr. SONG Jianpeng *(Chairman)* (passed away on 9 October 2019)
Mr. CHEN Chih Yung (retired on 11 June 2019)
Mr. GAO Guiwei (retired on 11 June 2019)

Independent Non-Executive Directors

Mr. LIU Changxiang
Mr. LIU Xuewei
Mr. JIAO Jian

Pursuant to articles of association of the Company, at each annual general meeting one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election at the annual general meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the INEDs, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 11 to 14 of this report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who was proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and five highest paid individuals for the year ended 31 December 2019 are set out in note 14 to the consolidated financial statements.

DIVIDEND

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

MANAGEMENT CONTRACTS

As at 31 December 2019, other than a contract of service with a Director or any person engaged in the full-time employment of the Company, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

EMOLUMENT POLICY

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, market competitiveness, individual performance, dedication and achievement. The Company has also adopted share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in the section headed "Share Option Scheme" of this report.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial shareholders or any of their respective associates has engaged in any business that competes or may compete with the businesses of the Group or has any conflict of interests with the Group.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Under the articles of association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests or short positions of the directors and chief executive of the Company and their associates in the shares, underlying shares and debentures of the Company or associated corporations (within the meaning of Part XV of the SFO as defined below) which will be required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into the register referred to in that section, or which will be required, pursuant to Securities Dealing Code, to be notified to the Company and the Stock Exchange, in each case once the shares of the Company are listed on the Stock Exchange, were as follows:

Long positions in shares ("Shares")/underlying Shares of the Company

Name of Director/ chief executive	Capacity/ nature of interest	Number and class of Shares [(1)]	Percentage of interest in the Company
Mr. Li Luqiang (李璐強)	Interested in controlled corporation [(2)]	7,881,797 Shares (L)	0.52%
	Beneficial Owner	501,000 Shares (L)	0.03%

Notes:

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

(2) The Company is owned as to approximately 0.52% by RongJin Enterprise Management & Consulting Co., Ltd. ("RongJin"). RongJin is wholly-owned by Beijing Xinlian Rongjin Enterprise Management & Consulting Co., Ltd.* (北京信聯融金企業管理諮詢有限公司), which is in turn wholly-owned by Mr. Li Luqiang. Mr. Li Luqiang is therefore deemed to be interested in the Shares in which RongJin is interested pursuant to the SFO.

Save as disclosed above, as at the 31 December 2019, none of the Directors and chief executives of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or to the Model Code of the Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, the following parties (other then the directors and chief executive of the Company as disclosed above) had interests of 5% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in shares ("Shares")/underlying Shares of the Company

Name of substantial shareholders	Capacity/ nature of interest	Number and class of Shares [(1)]	Percentage of interest in the Company
Union Capital Pte. Ltd. ("Union Capital")	Beneficial owner	768,475,221 Shares (L)	51.23%
Ms. Sui Yongqing[(2)]	Interest in controlled corporation	768,475,221 Shares (L)	51.23%
Mr. Song Jianbo[(3)]	Interest of spouse	768,475,221 Shares (L)	51.23%
PA Investment Funds SPC[(4)]	Beneficial owner	147,997,120 Shares (L)	9.87%
Ping An of China Securities (Hong Kong) Company Limited[(4)]	Interest in controlled corporation	147,997,120 Shares (L)	9.87%
Ping An Securities Co., Ltd.[(4)]	Interest in controlled corporation	147,997,120 Shares (L)	9.87%
China Ping An Trust Co., Ltd.[(4)]	Interest in controlled corporation	147,997,120 Shares (L)	9.87%
Ping An Insurance (Group) Company of China, Ltd.[(4)]	Interest in controlled corporation	147,997,120 Shares (L)	9.87%

Notes:

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

(2) Union Capital is wholly-owned by Ms. Sui Yongqing. Ms. Sui Yongqing is therefore deemed to be interested in the Shares in which Union Capital is interested pursuant to the SFO.

(3) Mr. Song Jianbo is the spouse of Ms. Sui Yongqing. Mr. Song Jianbo is therefore deemed to be interested in the Shares in which Ms. Sui Yongqing is interested pursuant to the SFO.

(4) PA Investor was established as a segregated portfolio company and 100% of the management shares in PA Investor are owned by Ping An of China Securities (Hong Kong) Company Limited which was, in turn wholly-owned by Ping An Securities Co., Ltd.* (平安證券股份有限公司), which was then owned by Ping An Insurance as to approximately 40.96% and owned by China Ping An Trust Co., Ltd. (平安信託有限責任公司) as to approximately 55.7%, which was owned by Ping An Insurance as to approximately 99.9%. Ping An, Ping An Securities Co., Ltd., China Ping An Trust Co., Ltd. and Ping An Insurance are therefore be deemed, or taken to be interested in the Shares in which PA Investor is interested pursuant to the SFO.

Save as disclosed above, the Company had not been notified of any other interests or short positions being held by any substantial shareholder in the shares or underlying shares of the Company as at 31 December 2019.

CONNECTED TRANSACTIONS

Particulars of the exempt connected transaction and continuing connected transactions are set out below:

1. **Shandong Nanshan Finance Lease Agreement**

On 25 July 2016, Nanshan Leasing and Shandong Nanshan International Flight Co., Ltd.* (山東南山國際飛行有限公司 ("Shandong Nanshan")) entered into a finance lease agreement (as supplemented from time to time) (together, the "Shandong Nanshan Finance Lease Agreement"), pursuant to which Nanshan Leasing provided Shandong Nanshan with a finance lease with the following principal terms:

Lessor	Lessee	Leased properties	Commencement date	Term	Rental
Nanshan Leasing	Shandong Nanshan	Three light aircrafts	January 2017	60 months	approximately RMB9.47 million

Since the highest relevant percentage ratio under the Listing Rules in respect of the transaction contemplated under the Shandong Nanshan Finance Lease Agreement is expected to be, on an annual basis, more than 0.1% but less than 5%, such continuing connected transaction will, upon Listing, be subject to the announcement, annual review and annual reporting requirements, but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Particulars of the non-exempt connected transaction and continuing connected transactions are set out below:

1. **Union Capital Finance Lease Agreement**

On 10 July 2015, Nanshan Baotian (Tianjin) Leasing Co., Ltd.* (南山寶田(天津)租賃有限公司) ("Nanshan Baotian") and Union Capital entered into a finance lease agreement, and all rights and obligations of Nanshan Baotian under the finance lease agreement were subsequently assigned to Baoqing Alliance Limited ("Baoqing Alliance BVI") by way of a three-party assignment agreement dated 9 November 2015. On 10 November 2015 and 11 April 2016, Baoqing Alliance BVI and Union Capital entered into a supplemental agreement and second supplemental agreement (together, the "Union Capital Finance Lease Agreement"), respectively. The followings are the principal terms of Union Capital Finance Lease Agreement:

Lessor	Lessee	Leased properties	Commencement date	Term	Rental	Effective interest rate
Baoqing Alliance BVI	Union Capital	Business jet aircraft	May 2016	84 months	approximately US$53.14 million	4.54% as at 31 December 2016, 5% as at 31 December 2017 and 5.94% as at 31 August 2018

On 10 June 2019, Baoqing Alliance BVI and Union Capital entered into a supplemental agreement. Pursuant to the agreement, Union Capital agreed to the early repayment of the remaining rental fees and other fees in the total sum of US$34,539,514.87, and that the parties agreed to early termination of the Union Capital Finance Lease Agreement. Payment of the said sum has been made by Union Capital on 31 July 2019.

2. ABS Guarantee

Nanshan Leasing and Cinda Securities Co. Ltd* (信達證券股份有限公司) ("Cinda Securities") entered into a series of agreements (hereinafter referred as the "Asset Management Agreements") on 16 August 2016; pursuant to which the finance lease receivables and the security interests associated in the Asset Management Agreements (the "Debts") originally held by Nanshan Leasing were securitised into 12 tranches of priority asset backed securities together with a tranche of secondary asset backed securities in an aggregate amount of approximately RMB492 million ("ABS") with Cinda Securities as the entrusted institution for the issuance and sale of the ABS. The equivalent liability of Nanshan Leasing, which would owe Cinda Securities under the ABS in the event of the Debts defaulting, is guaranteed by Nanshan Group (the "ABS Guarantee") in the securitisation. As such, the amount payable by Nanshan Leasing under the ABS, represents the amount guaranteed by Nanshan Group under the ABS Guarantee. The ABS Guarantee therefore constitutes a continuing connected transaction of the Group. The ABS Guarantee was expired on 30 June 2019.

3. Finance Leasing Framework Agreement

On 20 September 2019, the Group entered into a finance leasing framework agreement (the "Finance Leasing Framework Agreement") with Nanshan Group Co., Ltd. (南山集團有限公司) ("Nanshan Group") in relation to provision of sale-leaseback service and direct finance leasing service by the Group to Nanshan Group (the "Transaction"). The Finance Leasing Framework Agreement shall be effective for three (3) years from 17 December 2019 upon the passing of resolutions in an extraordinary general meeting to approve the Financial Leasing Framework Agreement ("Effective Period").

Nanshan Group will enter into separate individual agreement ("Individual Agreements") with its relevant members of Nanshan Group in each Transaction pursuant to the Finance Leasing Framework Agreement. Further details of the Finance Leasing Framework Agreement were set out in the circular dated 29 November 2019.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the auditor to report on the Group's continuing connected transactions and the auditor has confirmed that the Group's continuing connected transactions are in accordance with Rule 14A.56 of the Listing Rules and has issued an assurance report containing their findings and conclusions accordingly.

The INEDs have confirmed that the continuing connected transactions are in accordance with Rule 14A.55 of the Listing Rules. Specifically, the independent non-executive Directors have reviewed the continuing connected transactions and have confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms or on terms no less favourable than those available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of each of the connected transactions set out above.

Details of material related party transactions entered into by the Group are set out in Note 34 to the consolidated financial statements. Except for those described in the section of "Connected Transactions" above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with, none of those related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

SHARE OPTION SCHEME

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

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of 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 "Option") shall be determined by the Board (or as the case may be, including, where required under the Listing Rules, the independent nonexecutive Directors) from time to time on the basis of the participant's contribution or potential contribution to the development and growth of the Group.

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of Options to Directors, chief executives and substantial shareholders of the Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of Option to any participant as the Board may determine. The number of shares which may be issued pursuant to the exercise of the Options to be granted under the Share Option Scheme is 150,000,000 in total which is not exceeding 10% of all the shares in issue as at the date of Listing of the Company on the Main Board of the Stock Exchange on 15 March 2019.

The total number of shares issued and to be issued upon exercise of options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme of the Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof. The amount payable by the grantee of an Option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

The exercise price shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Option is offered to a Participant (the "Offer Date"), which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five (5) Business Days immediately preceding the Offer Date; and (iii) the nominal value of a share on the date of grant of the Option, provided that in the event of fractional prices, the exercise price per share shall be rounded upwards to the nearest whole cent.

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

The Company by resolution in a general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Option will be offered but Option granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

DONATIONS

No charitable and other donations were made by the Group during the year ended 31 December 2019.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme no, equity-linked agreements were entered into during the year ended 31 December 2019.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group persists in maintaining good corporate governance and operating in compliance with the laws and integrity through abidance by relevant laws and regulations, industry regulations and business ethics. For the year ended 31 December 2019 and up to the date of this report, the Company had not been and were not a party to any material legal, arbitral or administrative proceedings, and the Company was not aware of any pending or threatened legal, arbitral or administrative proceedings against the Company or any of the Directors which could have a material adverse effect on the Company's operations or financial condition.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float for the issued Shares as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

Disposal of Aircraft and Termination of Finance Lease Agreement

On 30 August 2016, Baoyin Alliance Limited (友聯寶音有限公司) (previously known as Nanshan Baoyin Limited (南山寶音有限公司)), a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company (the "Lessor") and Sincere Property Investments Limited (the "Lessee") entered into, among others, the Finance Lease Agreement, pursuant to which (i) the Lessee agreed to assign a Gulfstream GV-SP (G550) aircraft (the "Aircraft") under the name of the Lessor; and (ii) the Lessor agreed to lease the Aircraft to the Lessee for a term of 84 months. As at 26 February 2020, the overdue rental fee was approximately RMB34.9 million in accordance with the terms and conditions of the Finance Lease Agreement. In view of the recent changes in the market conditions, and following negotiations between the Lessee and Lessor, they agreed to dispose of the Aircraft and that the sale proceeds thereof shall be used to settle, among others, the outstanding sum under the Finance Lease Agreement. Accordingly, on 26 February 2020:

(a) Bank of Utah, a corporation organised and existing under the laws of the State of Utah of United States (the "Seller"), as owner trustee and for the benefit of the Lessor and the Lessor, entered into the Aircraft sale and purchase agreement with the Buyer, pursuant to which the Seller intends to sell and the Sloan and SMS Trust (the "Buyer") intends to purchase the Aircraft for the consideration of approximately US$30 million.

(b) the Lessor, entered into the termination agreement, with the Lessee, pursuant to which the Lessor and the Lessee shall terminate the Finance Lease Agreement subject to the terms and conditions as set out therein.

Further details of the disposal of aircraft and termination of finance lease agreement were set out in the announcement dated 26 February 2020.

Save as aforementioned, the Group does not have any material event subsequent to 31 December 2019 and up to the date of this report.

LITIGATION

A. Lawsuit against The Fourth People's Hospital of Shang Qiu Shi (商丘市第四人民醫院) ("Shang Qiu Hospital")

As disclosed in the voluntary announcement of the Company dated 12 July 2019, 南山融資租賃(天津)有限公司 (Nanshan Financial Leasing (Tianjin) Co., Ltd.), a wholly-owned subsidiary of the Company ("Nanshan Leasing") has filed the Lawsuit against Shang Qiu Hospital at No. 3 Intermediate People's Court of Tianjin ("the Court") 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, penalty, overdue fine and other expenses incurred by Nanshan Leasing pursuant to a finance leasing agreement entered into by Nanshan Leasing and Shang Qiu Hospital on 15 November 2017 (the "Shang Qiu Agreement").

As disclosed in the interim report of the Company for the six months ended 30 June 2019, the Company received RMB6,706,739.00 from Shang Qiu Hospital, representing the unpaid rental fees since the entering into the Shang Qiu Agreement up to the date of payment.

As disclosed in the voluntary announcement of the Company dated 1 November 2019, the Court endorsed and issued the civil mediation document (民事調解書) (the "Mediation Document") on 28 October 2019, which was served on Shang Qiu Hospital on 28 October 2019 (the "Effective Date"), pursuant to the Mediation Document:

(1) within three (3) days from the Effective Date, Shang Qiu Hospital shall pay Nanshan Leasing the following:

a. RMB3,068,913, being the unpaid rental fee;

b. RMB874,714, being the overdue fine;

c. RMB200,000, being the relevant fees and expenses incurred due to the realisation of creditor's right (實現債權); and

d. RMB177,712.5, being the reimbursement of the case application fee already paid by Nanshan Leasing;

(2) Shang Qiu Hospital shall pay Nanshan Leasing the outstanding rental fee for the remaining term by quarterly instalment of RMB3,068,913 from 20 November 2019, which shall be fully paid by 20 November 2022; and

(3) in case of default, Nanshan Leasing shall be entitled to demand Shang Qiu Hospital for the immediate payment of the entire outstanding rental fee plus penalty.

B. Lawsuit against The People's Hospital of Ne He (訥河市人民醫院) ("Ne He Hospital") and Nehe City Investment Co., Ltd. ("Ne He Investment")

As disclosed in the voluntary announcement of the Company dated 4 September 2019, Nanshan Leasing, as plaintiff, has filed a lawsuit against Ne He Hospital at No. 3 Intermediate People's Court of Tianjin for a total sum of RMB78,896,862.82, and Nehe City Investment Co., Ltd. for holding joint liability for the above outstanding total sum, being, among others, the unpaid rental fee owed by Ne He Hospital, the outstanding rental fee for the remaining term and other expenses incurred by Nanshan Leasing under the relevant finance leasing agreement (the "Agreement with Ne He Hospital") and the relevant guarantee agreement entered into between Nanshan Leasing and Ne He Investment.

Subsequently, No. 3 Intermediate People's Court of Tianjin issued a civil judgment (民事判決書) dated 6 December 2019. Pursuant to the judgment:

1. Ne He Hospital shall pay Nanshan Leasing a sum of RMB61,181,375, being all unpaid rental fee and retention purchase price, within ten(10) days from the date of the judgement;

2. Ne He Hospital shall pay Nanshan Leasing shall pay the Nanshan Leasing an overdue fine of RMB1,374,456.08 as at 24 October 2019 within ten (10) days from the date of the judgment, and pay the overdue fine accrued from 25 October 2019 up to the actual payment date (based on RMB10,636,255, calculated at an annual interest rate of 24%), the deposit in the sum of RMB105,416.47 after offsetting the case management fee; will be applied towards payment of the aforesaid overdue fine;

3. Ne He Investment held jointly and severally responsible for the aforesaid payment responsibility of Ne He Hospital. After Ne He Investment has assumed the payment liability, it shall have the right to recover the same from the Ne He Hospital.

Due to the worldwide outbreak of the Novel Coronavirus Pneumonia (COVID-19), the judgment has yet to be executed against the Ne He Hospital and Ne He Investment.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its subsidiaries or its holding companies was a party or were parties and in which a Director or any entities connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Period.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in the prospectus of the Company dated 28 February 2019, there was no contract of significance between the Company or its holding company or any of its subsidiaries and any controlling shareholder or any of its subsidiaries for the Period.

During the Period, none of the Company or any of its subsidiaries has entered into any contract of significance for the provision of services by any controlling shareholders or any of its subsidiaries.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the Company's listed securities.

BUSINESS REVIEW

Detailed business review and outlook and plans are set out in the section of "Management Discussion and Analysis" in this report from pages 4 to 10. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group did not have any material contingent liabilities (31 December 2018: Nil).

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the "Corporate Governance Report" from page 15 to 28 of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2019 were audited by SHINEWING (HK) CPA Limited and they have issued an unqualified opinion. SHINEWING (HK) CPA Limited shall retire and, being eligible, offer themselves for re-appointment at the annual general meeting. A resolution to reappoint SHINEWING (HK) CPA Limited as auditors of the Company and to authorise the Directors to fix the auditors' remuneration will be proposed at the forthcoming AGM.

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

Hong Kong, 29 April 2020

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
43/F., Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

TO THE MEMBERS OF INTERNATIONAL ALLIANCE FINANCIAL LEASING CO., LTD
国际友联融资租赁有限公司
(incorporated in the Cayman Island with limited liability)

OPINION

We have audited the consolidated financial statements of International Alliance Financial Leasing Co., Ltd (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 49 to 119, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Expected credit loss provision of finance lease receivables

Refer to accounting policy on pages 72 to 75 and notes 4, 17 and 33 to the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
We identified the expected credit loss ("ECL") provision of finance lease receivables as a key audit matter as finance lease receivables are material to the Group, and the management of the Group exercises significant judgements on whether credit risk of a finance lease receivable has increased significantly since initial recognition, whether a finance lease receivable is credit-impaired, and estimation in key inputs used for measuring ECL, which including probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD"). As at 31 December 2019, the carrying amount of finance lease receivables, net of ECL provision, was approximately RMB2,686,580,000. The Group adopted IFRS 9 Financial Instruments and recognised accumulated impairment losses on finance lease receivables of approximately RMB208,756,000 on the basis of ECL as at 31 December 2019.	Our procedures in relation to ECL provision of finance lease receivables included: • Understanding the ECL model used by the Group; • Evaluating the reasonableness of critical assumptions and methods applied in the ECL model; • Performing credit review of finance lease receivables to determine if for a finance lease receivable, its credit risk has increased significantly since initial recognition or is credit-impaired, and reasonableness of expected future cash flows from the lessees, guarantors, or disposal of underlying assets to determine LGD; • Testing subsequent settlements of credit-impaired finance lease receivables, by inspecting supporting documents in relation to cash receipt from lessees subsequent to the end of the current reporting period; and • Evaluating the disclosures regarding the impairment assessment of finance lease receivables in the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2018 were audited by another auditor who expressed an unmodified opinion on those statements on 29 March 2019.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lee Shun Ming.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lee Shun Ming
Practising Certificate Number: P07068

Hong Kong
29 April 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**2019** **RMB'000**	2018 RMB'000
Revenue	*6*	**260,876**	358,061
Other income, gains or losses	*7*	**12,704**	14,236
Total revenue and other income, gains or losses		**273,580**	372,297
Finance cost	*8*	**(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	*9*	**(147,610)**	(25,349)
(Loss) profit before tax	*10*	**(101,589)**	62,683
Income tax credit (expense)	*11*	**16,897**	(22,085)
(Loss) profit for the year		**(84,692)**	40,598
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		**2,478**	1,899
Total comprehensive (expense) income for the year		**(82,214)**	42,497
(Loss) earnings per share	*13*		
(Expressed in RMB Yuan per share)			
Basic		**(0.0605)**	0.0404

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Plant and equipment	15	**47**	56
Right-of-use assets	16	**6,833**	–
Intangible assets		**2,146**	2,484
Finance lease receivables	17	**1,696,039**	2,608,169
Prepayment and other receivables	19	**3,500**	3,750
Deferred tax assets	20	**72,360**	29,285
		1,780,925	2,643,744
Current assets			
Finance lease receivables	17	**990,541**	1,106,050
Amounts due from related companies	18	**–**	107
Prepayment and other receivables	19	**24,242**	44,326
Bank balances	21	**288,252**	418,043
		1,303,035	1,568,526
Current liabilities			
Other payables and accrued expenses	22	**2,430**	2,314
Deposits from finance lease customers	17	**37,730**	6,239
Lease liabilities	16	**3,670**	–
Income tax payables		**26,998**	4,410
Deferred income	23	**9,658**	13,638
Borrowings	24	**23,723**	724,377
Bonds issued	25	**91,201**	500,933
		195,410	1,251,911
Net current assets		**1,107,625**	316,615
Total assets less current liabilities		**2,888,550**	2,960,359
Capital and reserves			
Share capital	27	**10**	1
Reserves		**1,183,062**	941,995
Total equity		**1,183,072**	941,996
Non-current liabilities			
Deposits from finance lease customers	17	**130,701**	158,567
Lease liabilities	16	**3,238**	–
Deferred income	23	**8,563**	15,526
Borrowings	24	**1,373,976**	1,568,270
Bonds issued	25	**189,000**	276,000
		1,705,478	2,018,363
		2,888,550	2,960,359

The consolidated financial statements on pages 49 to 119 were approved and authorised for issue by the board of directors on 29 April 2020 and are signed on its behalf by:

Mr. Li Luqiang	**Ms. Xu Juan**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

			Reserves						
	Notes	Share Capital RMB'000	Share premium RMB'000 (note i)	Share reserve RMB'000 (note ii)	Surplus reserve RMB'000 (note iii)	Translation reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000	Total RMB'000
At 1 January 2018		1	880,839	(42,520)	9,308	(2,169)	54,040	899,498	899,499
Profit for the year		–	–	–	–	–	40,598	40,598	40,598
Other comprehensive income for the year		–	–	–	–	1,899	–	1,899	1,899
Total comprehensive income for the year		–	–	–	–	1,899	40,598	42,497	42,497
Transfer to statutory surplus		–	–	–	5,027	–	(5,027)	–	–
At 31 December 2018 and 1 January 2019		1	880,839	(42,520)	14,335	(270)	89,611	941,995	941,996
Loss for the year		–	–	–	–	–	(84,692)	(84,692)	(84,692)
Other comprehensive income for the year		–	–	–	–	2,478	–	2,478	2,478
Total comprehensive expense for the year		**–**	**–**	**–**	**–**	**2,478**	**(84,692)**	**(82,214)**	**(82,214)**
Capitalisation issue of new shares	*27(b)*	**6**	**(6)**	**–**	**–**	**–**	**–**	**(6)**	**–**
Issuance of new shares upon listing	*27(c)*	**3**	**360,031**	**–**	**–**	**–**	**–**	**360,031**	**360,034**
Transaction costs attributable to issue of shares		**–**	**(36,744)**	**–**	**–**	**–**	**–**	**(36,744)**	**(36,744)**
At 31 December 2019		**10**	**1,204,120**	**(42,520)**	**14,335**	**2,208**	**4,919**	**1,183,062**	**1,183,072**

Notes:

(i) Share premium represented the difference between the shareholders' contribution and issued capital.

(ii) Share reserve represented the difference between the nominal value of the issued share capital of the Company and its subsidiaries and the net assets value of the subsidiaries of the Group, upon completion of the group reorganisation.

(iii) Under the People's Republic of China (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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

	2019 RMB'000	2018 RMB'000
OPERATING ACTIVITIES		
(Loss) profit before tax	**(101,589)**	62,683
Adjustments for:		
Depreciation of plant and equipment	**25**	68
Depreciation of right-of-use assets	**5,490**	–
Amortisation of intangible assets	**351**	350
Investment income	**(212)**	(34)
Net exchange gains	**(2,158)**	(1,990)
Finance cost	**186,707**	241,557
Impairment losses of financial assets, net of reversal	**147,610**	25,349
Operating cash flows before movements in working capital	**236,224**	327,983
Decrease in finance lease receivables	**889,363**	447,518
Decrease in prepayment and other receivables	**4,670**	64,131
Increase (decrease) in other payables and accrued expenses	**483**	(10,122)
Decrease in deferred income	**(10,943)**	(11,057)
Decrease deposits from finance lease customers	**(12,020)**	(13,706)
Cash generated from operations	**1,107,777**	804,747
Income tax paid	**(3,590)**	(23,363)
Net cash from operating activities	**1,104,187**	781,384
INVESTING ACTIVITIES		
Purchase of plant and equipment	**(16)**	–
Purchase of intangible assets	**(13)**	–
Withdrawal from restricted bank balances	**130,352**	160,779
Placement of restricted bank balances	**(134,223)**	(187,532)
Repayments from related companies	**88**	–
Interests received from restricted bank balances	**212**	34
Net cash used in investing activities	**(3,600)**	(26,719)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019 *(Continued)*

	Note	2019 RMB'000	2018 RMB'000
FINANCING ACTIVITIES			
Issue of ordinary shares		**360,034**	–
Proceeds from bonds issued		**–**	360,000
Repayment of bonds issued		**(500,933)**	(670,390)
Proceeds from borrowings		**350,000**	2,154,000
Repayment of borrowings		**(1,285,759)**	(2,424,115)
Repayments of lease liabilities		**(5,342)**	–
Cash paid for issue costs		**(28,507)**	(4,637)
Interest paid for bonds issued		**(33,649)**	(64,877)
Interest paid for borrowings		**(91,740)**	(160,566)
Interest paid for lease liabilities		**(455)**	–
Net cash used in financing activities		**(1,236,351)**	(810,585)
Net decrease in cash and cash equivalents		**(135,764)**	(55,920)
Cash and cash equivalents at beginning of the year		**391,270**	425,827
Effects of foreign exchange rate changes		**2,102**	21,363
Cash and cash equivalents at end of the year	29	**257,608**	391,270

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 principal activities of the subsidiaries are set out in Note 36.

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

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

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

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

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 resulted in the changes in the Group's accounting policies and adjustments to the amounts recognised in the 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 consolidated financial statements.

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

Impacts on adoption of IFRS 16 Leases

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 Leases 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.

The Group as 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.

The Group recognises right-of-use assets and measures them at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other leases.

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 termination options;

iii) the exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application;and

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 PRC was determined on a portfolio basis.

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

Impacts on adoption of IFRS 16 Leases *(Continued)*

The Group as lessee *(Continued)*

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:

	RMB'000
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	(385)
	6,603
Discounted using the incremental borrowing rate and lease liabilities recognised as at 1 January 2019	6,190
Analysed as	
Current portion	4,630
Non-current portion	1,560
	6,190

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

	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 (Note a)	130
By class:	
Office and staff quarters	6,320

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.

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

Impacts on adoption of IFRS 16 Leases *(Continued)*

The Group as lessee *(Continued)*

In the consolidated statement of cash flow, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under IAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under IAS 17. The total cash flows are unaffected. The adoption of IFRS 16 has resulted in a significant change in presentation of cash flows within the cash flow statement.

The Group as 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.

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 Revenue from Contracts with Customers as a sale.

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

Impacts on adoption of IFRS 16 Leases *(Continued)*

The Group as lessor *(Continued)*

Over all impacts on adoption of IFRS 16 Leases

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

	Notes	**Carrying amounts previously reported at 31 December 2018** RMB'000	**Adjustments** RMB'000	**Carrying amounts under IFRS 16 at 1 January 2019** RMB'000
Non-current Assets				
Right-of-use asset	*a*	–	6,320	6,320
Other receivables – Rental deposits	*b*	1,205	(130)	1,075
Current liabilities				
Lease liabilities	*a*	–	4,630	4,630
Non-current liabilities				
Lease liabilities	*a*	–	1,560	1,560

Notes:

a) *As at 1 January 2019, right-of-use assets were measured at an amount equal to the lease liability of RMB6,190,000 and adjusted for the rental deposit of approximately RMB130,000;*

b) *the rental deposit of RMB130,000 as at 31 December 2018 were reclassified to right-of-use assets.*

c) *For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.*

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

New and amendments to IFRS in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs and interpretation that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[5]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 3	Definition of a Business[3]
Amendments to IFRS 1 and IAS 8	Definition of Material[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current[4]
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after a date to be determined
3 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
4 Effective for annual periods beginning on or after 1 January 2022
5 Effective for annual periods beginning on or after 1 January 2023

The directors of the Company anticipate that the application of new and amendments to IFRSs will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customers.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

A performance obligation represents service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Revenue arising from service is recognised at a point in time when the services are completed.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised and included in "other income, gains or losses" and "finance cost" in profit or loss using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Advisory fee income

The Group earns advisory fee income from a range of services it provides to its customers at a point in time. Revenue for those services is recognised when the transactions are completed.

Costs to fulfill a contract

The Group incurs costs to fulfill a contract in its advisory service. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the services to which the assets relate. The asset is subject to impairment review.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing

Accounting Policy applicable on or after 1 January 2019

Definition of a lease

Under IFRS 16, a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as lessee

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, at inception of the contract or modification date. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

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 standalone 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.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Accounting Policy applicable on or after 1 January 2019 *(Continued)*

The Group as lessee (Continued)

Lease liabilities (Continued)

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Accounting Policy applicable on or after 1 January 2019 *(Continued)*

The Group as lessee (Continued)

Right-of-use assets

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 consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments 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 modification

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 lease 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 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Accounting Policy applicable on or after 1 January 2019 *(Continued)*

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Finance income is recognised and included in revenue.

Allocation of consideration to components of a contract

The Group applies 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 finance lease receivable equal to the transfer proceeds within the scope IFRS 9.

Accounting policy applicable prior to 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Finance income is recognised and includes in revenue.

Sale and leaseback transactions

For a sale and leaseback transaction which is in substance a financing arrangement under IFRS 9, the Group as a buy-lessor does not recognise the transferred asset and recognise a finance lease receivable equal to the net investment in the lease.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

Accounting policy applicable prior to 1 January 2019 *(Continued)*

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Retirement benefit costs

Payments to defined contribution retirement benefit plans, including government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before income tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax

Deferred income tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

Deferred income tax *(Continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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.

Current tax and deferred tax for the year

Current and deferred tax are recognised in profit or loss.

Plant and equipment

Plant and equipment comprises office equipment, electronic equipment and leasehold improvements for administrative purpose. Plant and equipment are presented at costs less subsequent accumulated depreciation and accumulated impairment losses (if any) in the consolidated statement of financial position.

Depreciation is recognised so as to write off the costs of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Plant and equipment *(Continued)*

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of plant and equipment held by the Group for administrative purpose are as follows:

Classes	Estimated residual value rates	Useful lives
Office plant and equipment	5%	5 years
Electronic plant and equipment	5%	3 years
Leasehold improvements	–	3 years

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

All intangible assets of the Group are office software, which mainly includes finance leasing industry-specific business software, with an estimated useful life of 10 years. The useful life of the software is estimated based on the expected usage of the software and their technological obsolescence.

Impairment losses on tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of tangible and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets *(Continued)*

Impairment losses on tangible and intangible assets *(Continued)*

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised in profit or loss and is included in the "other income, gains or losses" line item.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at financial assets at fair value through other comprehensive income:

(a) the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling; and

(b) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at financial assets at fair value through profit or loss.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and finance lease receivables

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets and finance lease receivables which are subject to impairment under IFRS 9 (including amounts due from related companies, other receivables, bank balances and finance lease receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument and finance lease receivables as at the reporting date with the risk of a default occurring on the financial instrument and finance lease receivables as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and finance lease receivables (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument and finance lease receivables' external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments and finance lease receivables of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the a foregoing, the Group assumes that the credit risk on a financial instrument and finance lease receivables have not increased significantly since initial recognition if the financial instrument and finance lease receivables are determined to have low credit risk at the reporting date. Financial instrument and finance lease receivables are determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers financial asset and finance lease receivables to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definition.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and finance lease receivables (Continued)

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that other receivables and finance lease receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when financial asset and finance lease receivables are more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets and finance lease receivables

Financial assets and finance lease receivables are credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset and finance lease receivables have occurred. Evidence that financial asset and finance lease receivables are credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower that have a detrimental impact granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and finance lease receivables (Continued)

Write-off policy

The Group writes off financial asset and finance lease receivables when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of finance lease receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets and finance lease receivables written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For a finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 (on or after 1 January 2019) or IAS 17 (prior to 1 January 2019).

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including deposits from finance lease customers, other payables, borrowings and bonds issued are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily withdrawn on demand. Cash equivalents are the Group's short-term, highly liquid investments that are convertible to known amounts and which are subject to an insignificant risk of changes in value

4. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTIES

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These judgements, estimates and assumptions are made based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

Estimated impairment of finance lease receivables

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

As at 31 December 2019, the carrying amount of finance lease receivables amounted to RMB2,686.6 million (net of loss allowance of RMB208.7 million) (2018: RMB3,714.2 million (net of loss allowance of RMB68.0 million)).

Income taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the group entities filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made. As at 31 December 2019, deferred tax assets of RMB72.4 million (31 December 2018: RMB29.3 million) have been recognised. The current income tax expense and deferred income tax credit for the year ended 31 December 2019 are RMB26.2 million and RMB43.1 million respectively (31 December 2018: current income tax expense of RMB18.7 million and deferred income tax expense of RMB3.4 million respectively).

5. 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 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.

6. REVENUE

	2019 *RMB'000*	2018 *RMB'000*
Finance lease income	**260,876**	354,571
Advisory fee income *(Note)*	**–**	3,490
	260,876	358,061

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.

7. OTHER INCOME, GAINS OR LOSSES

	2019 RMB'000	2018 RMB'000
Government grants *(Note a)*	**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 *(Note b)*	**–**	5,482
Others	**3,349**	20
	12,704	14,236

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.

8. FINANCE COST

	2019 RMB'000	2018 RMB'000
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
	186,707	241,557

9. IMPAIRMENT LOSSES ON FINANCIAL ASSETS, NET OF REVERSAL

	2019 RMB'000	2018 RMB'000
Finance lease receivables *(Note 17)*	**140,758**	25,106
Other receivables *(Note 19)*	**6,852**	243
	147,610	25,349

10. (LOSS) PROFIT BEFORE TAX

	2019 RMB'000	2018 RMB'000
(Loss) profit before tax has been arrived at after charging:		
Directors' remuneration *(Note 14)*	**3,430**	2,624
Salaries, bonus, allowances, social welfare and other employee benefits	**9,241**	10,011
Total staff cost	**12,671**	12,635
Auditors' remuneration	**2,260**	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	**–**	5,973

11. INCOME TAX (CREDIT) EXPENSE

	2019 RMB'000	2018 RMB'000
Current income tax		
PRC Enterprise Income Tax *(Note a)*	**26,178**	18,700
Deferred income tax *(Note 20)*	**(43,075)**	3,385
	(16,897)	22,085

The taxation charge for the year can be reconciled to the (loss) profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2018 RMB'000
(Loss) profit before tax	**(101,589)**	62,683
Tax at the statutory rate of 25% (2018: 25%)	**(25,397)**	15,671
Income not taxable for tax purpose	**(3,187)**	(943)
Expenses not deductible for tax purpose	**10,510**	5,734
Effect of unused tax losses not recognised as deferred tax assets	**1,055**	1,569
Effect of deductible temporary differences not recognised	**122**	54
Income tax (credit) expense for the year	**(16,897)**	22,085

11. INCOME TAX (CREDIT) EXPENSE *(Continued)*

The unused tax losses as at 31 December 2019 and 2018 are analysed as follows:

	2019	2018
	RMB'000	*RMB'000*
Unused tax losses not recognised as deferred tax assets	**16,644**	12,424
Potential tax benefit at 25% for PRC entities	**8**	8
Potential tax benefit at 16.5% for Hong Kong entity	**2,741**	2,045

The expiry dates of the unused tax losses as at 31 December 2019 and 2018 are listed as follows:

	2019	2018
	RMB'000	*RMB'000*
Year 2020 for PRC entities	**17**	17
Year 2021 for PRC entities	**6**	6
Year 2022 for PRC entities	**1**	1
Year 2023 for PRC entities	**6**	6
Indefinite for Hong Kong entity	**16,614**	12,394
	16,644	12,424

Notes:

(a) PRC Enterprise Income Tax

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

(b) Hong Kong Profits Tax

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

(c) Cayman Islands Income Tax

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

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

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

12. 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).

13. (LOSS) EARNINGS PER SHARE

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

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

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 (as defined in Note 27(b)) 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.

14. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors

The remunerations paid or payable to each of the directors and the Chief Executive Officer of the Company (including remunerations paid or payable for their services as employees/directors of other group entities prior to their becoming directors of the Company) by the entities comprising the Group during the reporting period are as follows:

	Directors' fees *RMB'000*	Salaries *RMB'000*	Retirement benefits *RMB'000*	Other social welfare *RMB'000*	Total *RMB'000*
2019					
Executive directors					
Mr. Li Luqiang *(note i)*	–	1,517	47	95	1,659
Mr. Li Zhixuan	–	800	47	79	926
Ms. Xu Juan *(note ii)*	–	335	47	79	461
Non-executive directors					
Mr. Song Jianpeng *(note iii)*	–	–	–	–	–
Mr. Chen Chih Yung *(note iv)*	–	–	–	–	–
Mr. Gao Guiwei *(note iv)*	–	–	–	–	–
Independent non-executive directors					
Mr. Liu Changxiang *(note v)*	128	–	–	–	128
Mr. Liu Xuywei *(note v)*	128	–	–	–	128
Mr. Jiao Jian *(note v)*	128	–	–	–	128
	384	2,652	141	253	3,430

	Directors' fees *RMB'000*	Salaries *RMB'000*	Bonus *RMB'000*	Retirement benefits *RMB'000*	Other social welfare *RMB'000*	Total *RMB'000*
2018						
Executive directors						
Mr. Li Luqiang *(note i)*	–	1,115	93	79	112	1,399
Mr. Li Zhixuan	–	576	48	45	80	749
Ms. Xu Juan *(note ii)*	–	324	27	45	80	476
Non-executive directors						
Mr. Song Jianpeng *(note iii)*	–	–	–	–	–	–
Mr. Chen Chih Yung *(note iv)*	–	–	–	–	–	–
Mr. Gao Guiwei *(note iv)*	–	–	–	–	–	–
	–	2,015	168	169	272	2,624

14. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors *(Continued)*

Notes:

(i) Mr. Li Luqiang was the Chief Executive Officer of the Company for the years ended 31 December 2019 and 2018. His remunerations disclosed above cover his role as the Chief Executive Officer of the Company.

(ii) Ms. Xu Juan was appointed as executive director in May 2018.

(iii) Mr. Song Jianpeng was passed away in October 2019.

(iv) Mr. Chen Chih Yung and Mr. Gao Guiwei were retired from office as non-executive director in June 2019.

(v) The directors are appointed as independent non-executive directors in February 2019.

There was no arrangement under which directors of the Company or the chief executive waived or agreed to waive any remuneration during both years.

The executive directors' remuneration shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors and non-executive directors' remuneration shown above were for their services as a director of the Group.

The bonuses are discretionary and determined by reference to the Group's and the individuals' performance.

(b) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group for the years ended 31 December 2019 and 2018, include three (2018: three) directors whose remunerations are reflected in the analysis presented above. The remunerations payable to the remaining two (2018: two) non-director individuals during the reporting periods are as follows:

	2019 ***RMB'000***	2018 *RMB'000*
Salaries	**1,754**	1,601
Bonus	**–**	30
Retirement benefits	**47**	45
Other social welfare	**92**	95
	1,893	1,771

14. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals *(Continued)*

The number of the two highest paid non-director individuals fell within the following bands are set out below:

	2019	2018
Nil to HKD1,000,000	**1**	1
HKD1,000,001 to HKD1,500,000	**1**	1

15. PLANT AND EQUIPMENT

	2019 *RMB'000*	2018 *RMB'000*
Cost		
At beginning of the year	**2,854**	2,854
Addition	**16**	–
At end of the year	**2,870**	2,854
Accumulated depreciation		
At beginning of the year	**(2,798)**	(2,730)
Provided for the year	**(25)**	(68)
At end of the year	**(2,823)**	(2,798)
Net book value at end of the year	**47**	56

Plant and equipment mainly includes computers, leasehold improvements, furniture and fixtures.

16. LEASES

(i) Right-of-use assets

	31/12/2019 *RMB'000*	1/1/2019 *RMB'000*
Office and staff quarters	**6,833**	6,320

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 approximately RMB6,828,000 due to new leases of office.

16. LEASES *(Continued)*

(ii) Lease liabilities

	31/12/2019 *RMB'000*	1/1/2019 *RMB'000*
Non-current	**3,238**	1,560
Current	**3,670**	4,630
	6,908	6,190

Amounts payable under lease liabilities:	31/12/2019 *RMB'000*
Within one year	**3,670**
After one year but within three years	**3,238**
	6,908
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(3,670)**
Amount due for settlement after 12 months	**3,238**

During the year ended 31 December 2019, the Group entered into a number of new lease agreements in respect of renting office and recognised lease liability of approximately RMB6,607,000.

(iii) Amounts recognised in profit or loss

	31/12/2019 *RMB'000*
Depreciation expense on right-of-use assets	**5,490**
Interest expense on lease liabilities	**456**
Expense relating to short-term leases	**586**
Expense relating to leases of low value assets	**50**

(iv) Others

At 31 December 2019, the Group has no committed lease agreements not yet commenced.

During the year ended 31 December 2019, the total cash outflow for leases amount to approximately RMB6,433,000.

17. FINANCE LEASE RECEIVABLES

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

	As at 31 December 2019 *RMB'000*
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	**101,459**
Undiscounted lease payments	**3,371,580**
Less: unearned finance income	**(476,244)**
Gross investment in leases	**2,895,336**
Less: Allowance for impairment losses	**(208,756)**
Present value of minimum lease payment receivables	**2,686,580**
Analysed for reporting purposes as:	
Current assets	**990,541**
Non-current assets	**1,696,039**
	2,686,580

The following table presents the amounts included in profit or loss.

	2019 *RMB'000*
Finance income on the net investment in finance lease	**252,433**

The Group's finance lease arrangements do not include variable payment.

During the year ended 31 December 2019, the finance lease receivables decreased due to the settlement from the lessees during the year.

The average term of finance leases entered into is ranged from 3 to 8 years.

17. FINANCE LEASE RECEIVABLES *(Continued)*

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

	As at 31 December 2018 *RMB'000*
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	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
	3,782,217
Less: Allowance 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
	3,714,219

17. FINANCE LEASE RECEIVABLES *(Continued)*

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

	2019			
	Individual provisions 12m ECL *RMB'000*	Individual provision lifetime ECL not credit-impaired *RMB'000*	Individual provision as lifetime ECL credit-impaired *RMB'000*	Total *RMB'000*
As at 1 January 2019	6,857	30,422	30,719	67,998
Changes due to finance lease receivables recognised in the opening balance that have:				
– Transferred to Lifetime ECL not credit-impaired	(403)	403	–	–
– Transferred to Lifetime ECL credit-impaired	(194)	(29,742)	29,936	–
Provided for the year *(Note a)*	1,353	743	141,790	143,886
Reversal for the year *(Note a)*	(2,303)	(708)	(117)	(3,128)
Balance at 31 December 2019	5,310	1,118	202,328	208,756
Expected loss rate	0.26%	1.00%	27.94%	7.21%

17. FINANCE LEASE RECEIVABLES *(Continued)*

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

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

Note:

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

17. FINANCE LEASE RECEIVABLES *(Continued)*

(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 adoption, finance lease receivables are classified into 12m ECL, lifetime ECL not credit-impaired and lifetime ECL credit-impaired.

	As at 31 December 2019			As at 31 December 2018		
	Present value of finance lease receivables *RMB'000*	Expected credit losses *RMB'000*	Carrying amount *RMB'000*	Present value of finance lease receivables *RMB'000*	Expected credit losses *RMB'000*	Carrying amount *RMB'000*
12m ECL	**2,059,850**	**(5,310)**	**2,054,540**	2,999,302	(6,857)	2,992,445
Lifetime ECL not credit-impaired	**111,280**	**(1,118)**	**110,162**	674,518	(30,422)	644,096
Lifetime ECL credit-impaired	**724,206**	**(202,328)**	**521,878**	108,397	(30,719)	77,678
	2,895,336	**(208,756)**	**2,686,580**	3,782,217	(67,998)	3,714,219

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

	As at 31 December	
	2019 *RMB'000*	2018 *RMB'000*
Within 30 days	**23,636**	379,567
Over 30 days and within 90 days *(Note a)*	**111,280**	125,946
Over 90 days *(Note b)*	**724,206**	257,241
	859,122	762,754

Notes:

(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.

(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.

17. FINANCE LEASE RECEIVABLES *(Continued)*

(4) The Group entered into sale and repurchase agreements or clauses (Note 31) with certain counterparties with respect to some of the Group's finance lease receivables, and as a result recognised secured and unguaranteed borrowings and bonds issued. The carrying amounts of such finance lease receivables were approximately RMB840.2 million as at 31 December 2019 (31 December 2018: RMB2,322.6 million). The details of such finance lease receivables are as follows.

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
With secured and unguaranteed borrowings issued	**535,550**	955,288
With bonds issued	**304,722**	1,367,340
	840,272	2,322,628

The underlying assets at original cost of approximately USD115.8 million (equivalent to approximately RMB807.8 million) were pledged as collateral for the Group's secured and guaranteed borrowings as at 31 December 2019 (31 December 2018: USD115.8 million (equivalent to approximately RMB794.6 million)).

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

	As at December	
	2019	2018
	RMB'000	*RMB'000*
The amounts of deposits from finance lease customers	**168,431**	164,806
Analysed for reporting purposes as:		
Current liabilities	**37,730**	6,239
Non-current liabilities	**130,701**	158,567
	168,431	164,806

17. FINANCE LEASE RECEIVABLES *(Continued)*

(6) As at 31 December 2019 and 2018, the annual internal rate of return and average yield if finance lease receivables are as follows.

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Annual internal rate of return	**6.20%~13.00%**	6.13%~12.55%
Average annual internal rate of return	**7.37%**	8.94%

(7) As at 31 December 2019 and 2018, the carrying amounts of floating rate of return finance lease receivables and fixed rate of return finance lease receivables are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Analysed for reporting purposes as:		
Floating rate of return	**2,109,321**	3,307,591
Fixed rate of return	**577,259**	406,628
	2,686,580	3,714,219

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

18. AMOUNTS DUE FROM RELATED COMPANIES

	As at 31 December 2018 *RMB'000*
Jinchuang Enterprise Management & Consulting Co. Ltd. ("JiuChuang")	53
RongJin Enterprise Management & Consulting Co. Ltd. ("RongJin")	54
	107

JinChuang and RongJin are controlled by certain directors of the Company. As at 31 December 2018, amounts due from related companies were non-trade nature, interest-free and repayable on demand.

19. PREPAYMENT AND OTHER RECEIVABLES

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Deferred issue costs *(Note i)*	**–**	8,604
Deductible value-added tax	**8,128**	22,525
Aircraft maintenance expense paid on behalf of a customer	**22,797**	9,757
Others *(Note ii)*	**7,063**	10,565
Subtotal	**37,988**	51,451
Less: Allowance for impairment losses	**(10,246)**	(3,375)
	27,742	48,076
Analysed for reporting purposes as:		
Current assets	**24,242**	44,326
Non-current assets	**3,500**	3,750
	27,742	48,076

Notes:

i The costs relating to the issuance of new shares and has allocated to equity at date of listing.

ii Upon adoption of IFRS 16, the carrying amount of prepaid rental of RMB130,000 as at 1 January 2019 were adjusted to right-of-use assets (Note 2).

Movements of allowances for impairment losses are as follows:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
At beginning of the year	**3,375**	2,662
Adjustments for adoption of IFRS 9	**–**	435
At beginning of the year – as adjusted	**3,375**	3,097
Provided for the year	**6,852**	243
Foreign currency translation	**19**	35
At end of the year	**10,246**	3,375

As at 31 December 2019, the aircraft maintenance expense paid of behalf of a customer amounted to RMB22,797,000 (2018: RMB9,757,000) are credit-impaired financial assets and the ECL is provided at an amount equal to lifetime ECL of approximately RMB10,246,000 (2018: RMB3,375,000). The Group measures the loss allowance for remaining other receivables at an amount equal to 12m ECL.

20. DEFERRED TAX ASSETS

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Deferred tax assets	**72,360**	29,285
	72,360	29,285

Movements in balances of deferred tax assets

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Balance at beginning of the year	**29,285**	29,783
Adjustments for adoption of IFRS 9	**–**	2,887
Credit (Charge) to profit or loss	**43,075**	(3,385)
Balance at end of the year	**72,360**	29,285

	Deductible/(Taxable) temporary difference As at 31 December		Deferred tax assets/(liabilities) As at 31 December	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Allowance for impairment	**193,646**	65,704	**48,412**	16,426
Unearned finance lease income	**48,752**	48,340	**12,188**	12,085
Accrued interest expenses	**41,467**	14,345	**10,367**	3,586
Deferred income from finance lease	**(14,134)**	(15,801)	**(3,534)**	(3,950)
Unused tax losses	**19,709**	4,555	**4,927**	1,138
	289,440	117,143	**72,360**	29,285

Unrecognised deductible temporary differences

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Allowance for impairment	**1,095**	606
Potential tax benefit at 25% for PRC entities	**–**	–
Potential tax benefit at 16.5% for Hong Kong entity	**181**	100
	181	100

21. BANK BALANCES

	2019 *RMB'000*	2018 *RMB'000*
Bank balances	**288,252**	418,043
Including: restricted bank balances	**30,644**	26,773

All bank balances of the Group carry interest at prevailing market rates ranging from 0.01% to 2.025% per annum as at 31 December 2019 (31 December 2018: 0.01% to 0.35% per annum).

Restricted bank balances of the Group are used as pledged deposits for borrowings and bonds issued. The Group cannot use them until the related transactions are matured and released.

22. OTHER PAYABLES AND ACCRUED EXPENSES

	2019 *RMB'000*	2018 *RMB'000*
Other tax payables	**597**	47
Accrued payroll	**349**	599
Accrued issue costs and listing expenses	**–**	1,111
Others	**1,484**	557
	2,430	2,314

23. DEFERRED INCOME

Deferred income from finance lease is amortised over the lease period and recognised as revenue using effective interest method.

24. BORROWINGS

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Secured and guaranteed borrowings *(note i)*	**95,285**	402,011
Secured and unguaranteed borrowings *(note ii)*	**510,036**	848,126
Unsecured and unguaranteed borrowings	**792,378**	1,042,510
Total	**1,397,699**	2,292,647
Represented by:		
Borrowing from banks	**500,731**	788,956
Borrowing from other institutions		
– Entrusted loans	**896,968**	1,503,691
Total	**1,397,699**	2,292,647
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	**577,812**	1,154,461
	1,397,699	2,292,647
Less: amounts under current liabilities	**23,723**	724,377
Non-current liabilities	**1,373,976**	1,568,270

Notes:

i. Secured and guaranteed borrowings

Secured and guaranteed borrowings were secured by underlying assets of the Group as detailed in Note 17, and were also guaranteed by Nanshan Group.

ii. Secured and unguaranteed borrowings

As at 31 December 2019, the Group's secured and unguaranteed borrowings represented the Group's repurchase agreements with certain counterparties to sell Group's finance lease receivables as detailed in Note 17.

24. BORROWINGS *(Continued)*

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Fixed-rate borrowings:		
Within one year	**–**	560,000
More than one year, but not exceeding two years	**771,250**	331,000
More than two years, but not exceeding five years	**490,148**	995,350
	1,261,398	1,886,350

In addition, the Group's variable-rate is based on inter-bank offer rates including LIBOR. The maturity date is within 4 years.

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

	As at 31 December	
	2019	2018
Fixed-rate borrowing:	**4.00%-8.50%**	4.72%-8.50%
Floating-rate borrowing:	**3-month LIBOR+3.00%~3.25%**	3-month LIBOR+3.25%~3.33%

25. BONDS ISSUED

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Asset-backed securities		
– Asset-backed Nanshan Leasing of phase 2	**–**	63,096
– Asset-backed Nanshan Leasing of No. 2	**–**	132,910
– Asset-backed Nanshan Leasing of phase 3	**–**	215,639
– Asset-backed Nanshan Leasing of No. 1	**280,201**	365,288
	280,201	776,933
Represented by:		
Carrying amount repayable:		
Within one year	**91,201**	500,933
More than one year, but not exceeding two years	**189,000**	87,000
More than two years, but not exceeding five years	**–**	189,000
	280,201	776,933
Analysed for the purpose of reporting		
Current liabilities	**91,201**	500,933
Non-current liabilities	**189,000**	276,000
	280,201	776,933

Details of outstanding bonds issued as at 31 December 2019 are as follows:

Name of products with priority	**Issuing size *(RMB'000)***	**Value date**	**Maturity date**	**Expected rate of return**
Nanshan No. 1	**43,000**	**28/04/2018**	**20/04/2020**	**7.8%**
Nanshan No. 1	**44,000**	**28/04/2018**	**20/10/2020**	**7.8%**
Nanshan No. 1	**45,000**	**28/04/2018**	**20/04/2021**	**7.8%**
Nanshan No. 1	**46,000**	**28/04/2018**	**20/10/2021**	**7.8%**
Nanshan No. 1	**47,000**	**28/04/2018**	**20/04/2022**	**7.8%**
Nanshan No. 1	**34,000**	**28/04/2018**	**20/10/2022**	**7.8%**
Nanshan No. 1	**17,000**	**28/04/2018**	**30/12/2022**	**7.8%**
	276,000			

25. BONDS ISSUED *(Continued)*

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

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

On 3 August 2017, Nanshan Leasing issued asset-backed securities with two tranches, namely, Asset-backed Nanshan Leasing of No.2: senior tranche with the principal amount of RMB400.0 million, and the principal amount is repaid by instalments; junior tranche with the principal amount of RMB21.6 million. Nanshan Leasing holds part of senior tranche and all junior tranche asset-backed securities. The bonds are fully settled in 2019.

On 21 August 2017, Nanshan Leasing issued asset-backed securities with two tranches, namely, Asset-backed Nanshan Leasing of phase 3: senior tranche with the principal amount of RMB705.0 million, and the principal amount is repaid by instalments; junior tranche with the principal amount of RMB166.0 million. Nanshan Leasing holds all junior tranche asset-backed securities. The bonds are fully settled in 2019.

On 28 April 2018, Nanshan Financial Leasing (Tianjin) Co., Ltd. ("Nanshan Leasing") issued asset-backed securities with two tranches, namely Asset-backed Nanshan No.1: senior tranche with principal amount of RMB400.0 million, and the principal amount is repaid by instalments; junior tranche with principal amount of RMB20.0 million. Nanshan Leasing holds all junior tranche asset-backed securities. Certain bonds were settled in 2019 as per the settlement schedule.

26. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bonds issued *RMB'000*	**Borrowings** *RMB'000*	**Deferred issue costs prepaid/ (accrued)** *RMB'000*	**Lease liabilities** *RMB'000*	**Total** *RMB'000*
As 1 January 2019	**(776,933)**	**(2,292,647)**	**(367)**	**(6,190)**	**(3,076,137)**
Financing cash flows *(Note)*	**534,582**	**1,027,499**	**28,507**	**5,797**	**1,596,385**
Non-cash changes:					
Addition on lease liabilities	**–**	**–**	**–**	**(6,607)**	**(6,607)**
Finance cost recognised	**(37,850)**	**(132,756)**	**–**	**(456)**	**(171,062)**
Transfer from deferred issue costs	**–**	**–**	**8,604**	**–**	**8,604**
Transaction costs attributable to issue of shares	**–**	**–**	**(36,744)**	**–**	**(36,744)**
Foreign exchange difference	**–**	**205**	**–**	**548**	**753**
As 31 December 2019	**(280,201)**	**(1,397,699)**	**–**	**(6,908)**	**(1,684,808)**
As 1 January 2018	(1,081,296)	(2,545,231)	120	–	(3,626,407)
Financing cash flows *(Note)*	375,267	430,681	4,637	–	810,585
Finance cost recognised	(70,904)	(158,245)	–	–	(229,149)
Foreign exchange difference	–	(19,852)	–	–	(19,852)
Deferred issue costs accrued	–	–	(5,124)	–	(5,124)
As 31 December 2018	(776,933)	(2,292,647)	(367)	–	(3,069,947)

Note:

The cash flows represent the proceeds from bonds issued, the repayment of bonds issued, the proceeds from borrowings, repayment of borrowings, interest paid, repayment of lease liabilities and cash paid for deferred issue costs in consolidated statement of cash flows.

27. 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, 31 December 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 and 31 December 2018	49,972,491,009	–	–	49,972,491,009	49,972
Series A shares of USD0.000001 each at 1 January 2018 and 31 December 2018	–	18,777,078	–	18,777,078	19
Series B share of USD0.000001 each at 1 January 2018 and 31 December 2018	–	–	8,731,913	8,731,913	9
Reclassification Series A shares into ordinary shares on 15 March 2019 *(Note a)*	18,777,078	(18,777,078)	–	–	–
Reclassification 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 31 December 2019	50,000,000,000	–	–	50,000,000,000	50,000

27. SHARE CAPITAL OF THE COMPANY *(Continued)*

	Number of shares					
	Ordinary	Series A	Series B	Total	USD	RMB
Issued						
At 1 January 2018, 31 December 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 31 December 2019	1,500,000,000	–	–	1,500,000,000	1,500	10,039

(a) Pursuant to a written resolution 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.

28. INTERESTS IN STRUCTURED ENTITIES

Interest in consolidated structured entities

The Group holds interests in some structured entities through investments in the notes issued by these structured entities. The assets of these structured entities mainly include asset-backed securities. When assessing whether to consolidate structured entities, the Group reviews all facts and circumstances to determine whether the Group, as manager, is acting as agent or principal. These factors considered include the scope of the manager's decision-making authority, rights held by other parties, remuneration to which it is entitled and exposure to variability of returns. For the asset-backed securities, the Group fully subscribed for the junior tranche and provided guarantee on the full repayment of the principal and interests of the senior tranche at maturity date. Therefore the structured entities are consolidated by the Group.

The carrying amounts of interests held by other holders of asset-backed securities consolidated by the Group amounted to RMB280.2 million as at 31 December 2019 (31 December 2018: RMB776.9 million) (Note 25).

29. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent:

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Bank balances	**257,608**	391,270

30. LEASE COMMITMENTS

At the end of respective reporting periods, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

The Group as lessee

The Group serves as the lessee for certain premises under operating lease. Leases are negotiated for terms ranging from one year to five years, of which is subject to renegotiation upon maturity.

	31/12/2018 *RMB'000*
Within one year	5,371
In the second to fifth year, inclusive	1,617
	6,988

Operating lease payments represent rentals payable by the Group for certain of its office and staff quarters.

The Group is the lessee in respect of office and staff quarters which the leases were previously classified as operating leases under IAS 17. The Group has initially applied IFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to these leases (see Note 2). From 1 January 2019 onwards, future lease payments are recognised as lease liabilities in the consolidated statement of financial position in accordance with the policies set out in Note 3, and the details regarding the Group's future lease payments are disclosed in Note 16.

31. TRANSFERS OF FINANCIAL ASSETS

The Group entered into agreements with financial institutions to transfer its finance lease receivables and also simultaneously agreed to repurchase these finance lease receivables at the agreed date and agreed price. As the repurchase prices were fixed, the Group retained substantially all the risks and rewards of these finance lease receivables and they were not derecognised. Therefore, the considerations received were recognised as borrowings with these finance lease receivables as "collateral". As at 31 December 2019, the carrying amounts of the transferred finance lease receivables which had not been derecognised by the Group amounted to RMB535.6 million (31 December 2018: RMB955.3 million); and the carrying amounts of the corresponding borrowings amounted to RMB510.0 million (31 December 2018: RMB848.1 million) (Note 24).

The Group entered into securitisation transactions in the normal course of business by which it transferred finance lease receivables to structured entities which then issued asset-backed securities to investors. The Group held all subordinated tranche interests in these structured entities. As the risks and rewards of ownership of the finance lease receivables have been substantially retained, these finance lease receivables are not derecognised. Therefore, the considerations received from other investors of these asset-backed securities were recognised as bonds issued with these finance lease receivables as "collateral". As at 31 December 2019, the carrying amounts of the transferred finance lease receivables which had not been derecognised by the Group amounted to RMB304.7 million (31 December 2018: RMB1,367.3 million); and the carrying amount of corresponding bonds issued amounted to RMB280.2 million (31 December 2018: RMB776.9 million) (Note 25).

32. CAPITAL MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged throughout the reporting period.

The capital structure of the Group consists of borrowings and bonds issued disclosed in Notes 24 and 25 and equity attributable to owners of the Company (comprising issued share capital and reserves including retained profits).

The directors of the Company review the capital structure regularly and consider the cost of capital and the risks associated with each class of capital. This will balance the overall capital structure through new share issues and financing through new borrowings or bond issuances.

33. FINANCIAL RISK MANAGEMENT

Categories of financial instruments

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Financial assets:		
Financial assets at amortised cost	**307,626**	435,084
Financial liabilities:		
Financial liabilities at amortised cost	**1,848,761**	3,234,386

Financial risk management objectives and policies

The Group's major financial instruments include amounts due from related companies, other receivables, bank balances, other payables and accrued expenses, deposits from finance lease customers, borrowings and bonds issued. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts as needed.

The Group is mainly exposed to the currency risk arising from HKD and USD.

The carrying amounts of the Group's foreign currency dominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets	
	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
HKD	**28,380**	190
USD	**60,633**	8,062

33. FINANCIAL RISK MANAGEMENT *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% increase and decrease in the relevant foreign currencies against RMB. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis on profit or loss includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. The sensitivity analysis on equity includes all outstanding foreign currency denominated items and adjusts their translation at the year end for a 5% change in foreign currency rates.

The table below indicates impacts on post-tax profit or loss and equity of a 5% appreciation or depreciation of all other currencies against RMB, respectively.

	HKD 31 December		USD 31 December	
	2019 *RMB'000*	2018 *RMB'000*	**2019 *RMB'000***	2018 *RMB'000*
Profit or loss				
5% appreciation	**1,064**	7	**2,274**	302
5% depreciation	**(1,064)**	(7)	**(2,274)**	(302)
Equity				
5% appreciation	**1,064**	7	**2,274**	302
5% depreciation	**(1,064)**	(7)	**(2,274)**	(302)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as it does not consider any currency risk mitigating measures that management would take to reduce the risk exposure.

Interest rate risk

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market interest rates on bank balances, finance lease receivables, deposits from customers, borrowings and bonds issued.

The Group is exposed to fair value interest rate risk in relation to fixed-rate bank borrowings and finance lease receivables. The Group aims at keeping borrowings and finance lease receivables at variable rates. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

33. FINANCIAL RISK MANAGEMENT *(Continued)*

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate financial assets, finance lease receivables and financial liabilities. The analysis is prepared assuming the amount of variable-rate financial assets, finance lease receivables and financial liabilities that were outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points increase or decrease represents management's assessment of the reasonably possible change in interest rates.

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Impact on profit before tax		
+50 basis profit	**682**	2,048
-50 basis profit	**(682)**	(2,048)

The impact on profit before tax to variable-rate finance lease receivables is approximately RMB9,183,000 as at 31 December 2019.

Credit risk

The Group's credit risk is primarily the risk of the lessee unable to meet its contractual obligations. The Group's main income generating activity is supplying finance leasing service to customers and therefore credit risk is a principal risk. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit risk management

The Group's risk management department is responsible for managing the Group's credit risk by:

- Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures, IFRS and relevant supervisory guidance.
- Creating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from lessees, to perform robust ongoing credit assessment of lessees and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Developing and maintaining the Group's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.
- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

33. FINANCIAL RISK MANAGEMENT *(Continued)*

Credit risk *(Continued)*

Significant increase in credit risk

As explained in Note 3, the Group monitors all financial assets (including amounts due from related parties, other receivables, bank balances and finance lease receivables) that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12m ECL.

Internal credit risk ratings

In order to minimise credit risk, the Group has tasked its risk management department to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The Group's credit risk grading framework comprises sixteen categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of lessee are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. When the credit risk increases, the credit risk grades may be changed and result in the increase of the risk of default. Each counterparty is categorised to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect latest information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Group's exposures:

- Payment record, including payment ratios and ageing analysis;
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For corporate exposures: information obtained by periodic review of customer files including audited financial statements, market data etc.

The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group gathers performance and default information about lessees' credit risk exposures, with reference to the regions and the type of equipment under finance lease arrangement.

33. FINANCIAL RISK MANAGEMENT *(Continued)*

Credit risk *(Continued)*

Internal credit risk ratings *(Continued)*

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit risk are effective, meaning that significant increase in credit risk is identified when the asset becomes 30 days past due. The Group performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group uses external information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities, such as gross domestic product growth rates, unemployment rates and inflation rates, etc.

Measurement of ECL

The key inputs used for measuring ECL are PD, loss given default ("LGD") and exposure at default ("EAD").

As explained above, these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the probability of default over a given time horizon. It is estimated as at a point in time. 12-month PD calculation is based on external rating and internal rating models, developed by the Group, in which the Group assessed using rating tools tailored to the various categories of counterparties and exposures. These internal rating models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors, and further adjusted to take into account estimates of future conditions that will impact 12-month PD. Life time PD is calculated on the basis of 12-month PD as well as considering the contractual maturities of risk exposures and the marginal default probability.

LGD is an estimate of the loss arising on default. It is determined based on the current practical experiences generally used in the financial industry by considering the factors including but not limited to the fair value of collaterals obtained or deposits received, and further adjusted to take into account estimated future conditions.

EAD is an estimate of the exposure at a future default date, representing future repayments of principal and interest and deposits.

33. FINANCIAL RISK MANAGEMENT *(Continued)*

Credit risk *(Continued)*

Measurement of ECL *(Continued)*

Relevant information with regard to the exposure of credit risk and expected credit losses for finance lease receivables and other receivables as at 31 December 2019 and 2018 are set out in Notes 17 and 19.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

The Group manages, limits, and controls the concentration of credit risks and, as far as possible, avoids risks concentration on single lessee, industry or region. The Group's finance lease receivables analysed by industry sectors that the customers are in are as follows:

	As at 31 December			
	2019		2018	
	Amount *RMB'000*	Proportion *%*	Amount *RMB'000*	Proportion *%*
Public infrastructure	**267,517**	**9.96**	276,201	7.44
Healthcare	**1,921,405**	**71.52**	2,648,852	71.32
Aviation	**325,369**	**12.11**	789,166	21.24
Others	**172,289**	**6.41**	–	–
	2,686,580	**100.00**	3,714,219	100.00

The Group manages customer limits to optimise the credit risk structure. The Group performs pre-project analysis of the lessee's ability to repay principal and interest, real-time supervision of the lessee's actual repayment status during the project to manage credit risks.

33. FINANCIAL RISK MANAGEMENT *(Continued)*

Credit risk *(Continued)*

Measurement of ECL *(Continued)*

Other specific management and mitigation measures include:

(a) Guarantee

The Group has developed a series of policies to mitigate credit risk, including obtaining collateral/pledge, security deposit and guarantee from an enterprise or individual.

According to the characteristics of the finance lease, the Group has the ownership of the asset under the finance lease during the lease term. The Property Law of PRC stipulates the four powers and functions of ownership: possession, usage, benefit and punishment; it also stipulates that the owner has the right to establish usufructuary right and security interest over his own realty or chattel. Therefore, the Property Law protects the Group's effective rights. In the event of default, the Group is entitled to retrieve the asset.

In addition, the Group requests a third party guarantee or collateral from certain lessees, depending on the lessee's credit status and credit risk degree of the finance lease. The management evaluates the capability of the guarantor, the ownership and value of the mortgage and pledge and the feasibility of realising the mortgage and pledge.

(b) Insurance on the asset of the finance lease

For finance lease, the ownership of the underlying asset belongs to the Group before the expiry of the lease, but the risks and rewards in operational use and maintenance have been transferred to the lessee. Therefore, if any accidents occur to the asset, the lessee should immediately report them to the insurance company and notify the Group, provide accident report with relevant documents and settle claims with the insurance company.

33. FINANCIAL RISK MANAGEMENT *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of bank loans and ensures compliance with loan covenants.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been prepared using the undiscounted cash flows of financial liabilities based on the contractual date on which the Group is required to repay. The tables include both interest and principal cash flows.

	As at 31 December 2019						
	Weighted average effective interest rate	Less than 1 month	1 to 3 month	3 to 12 months	1 to 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities							
Deposits from finance lease customers	7.86%	–	11,300	28,550	160,936	200,786	168,431
Lease liabilities	9.03%	558	1,673	2,950	3,724	8,905	6,908
Borrowings	6.15%	332	13,776	42,611	1,440,325	1,497,044	1,397,699
Bonds issued	7.80%	–	–	107,014	208,153	315,167	280,201
Other payables and accrued expenses	N/A	–	2,430	–	–	2,430	2,430
Total		890	29,179	181,125	1,813,138	2,024,332	1,855,669

	As at 31 December 2018							
	Weighted average effective interest rate	Less than 1 month	1 to 3 month	3 to 12 months	1 to 5years	More than 5 years	Total undiscounted cash flows	Carrying amount
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Financial liabilities								
Deposits from finance lease customers	5.59%	–	–	6,685	198,914	4,172	209,771	164,806
Borrowings	6.35%	20,459	64,067	763,182	1,743,815	–	2,591,523	2,292,647
Bonds issued	6.37%	117,592	46,397	370,284	315,456	–	849,729	776,933
Total		138,051	110,464	1,140,151	2,258,185	4,172	3,651,023	3,234,386

The amounts included above arise from variable interest rate instruments for financial liabilities and are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

33. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value of financial instruments

None of the Group's financial instruments are measured at fair value on a recurring basis at the end of each reporting period.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the Group's consolidated statement of financial position approximate their fair values.

34. 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*

Note:

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

Transactions with related parties

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

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Finance lease income generated from related parties:		
– Nanshan Group and its subsidiaries	**1,584**	2,772
– Union Capital	**7,291**	14,808
Other income generated from related parties:		
– Nanshan Group and its subsidiaries	**–**	5,482

34. RELATED PARTY TRANSACTIONS *(Continued)*

Finance lease receivables from related parties

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Nanshan Group and its subsidiaries	**275,622**	5,278
Union Capital	**–**	245,488

Guarantee from related parties

Nanshan Group and its subsidiaries provided guarantees in respect of certain borrowings (2018: certain borrowing and bonds issued by the Group) during the year, of which RMB95.3 million remained outstanding at 31 December 2019 (2018: RMB465.1 million). The guarantee on bonds issued provided by Nanshan Group as at 31 December 2018 have been matured in 2019.

Compensation of key management personnel

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

	2019	2018
	RMB'000	*RMB'000*
Basic salary and allowances	**4,290**	4,043
Bonus	**–**	217
Employer's contribution to pension schemes	**141**	295
Other social welfare	**266**	470
	4,697	5,025

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

35. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute 8% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss of approximately RMB2.3 million for the year ended 31 December 2019 (2018: RMB1.7 million), represents contributions payable to these plans by the Group at rates specified in the rules of the plans. All contributions due in respect of the years ended have been paid to the plans.

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries directly and indirectly held by the Company as at 31 December 2019 and 2018 are set out below:

Name of subsidiary	Place of incorporation/ establishment	Class of shares held	Share capital ('000)	Proportion of ownership interest and voting rights held by the Group 2019 Direct	2019 Indirect	2018 Direct	2018 Indirect	Principal activities
World Alliance Co., Ltd,	British Virgin Islands	Ordinary shares	USD137,033	**100%**	**–**	100%	–	Investment holding
Hong Kong Alliance Financial Leasing Co., Ltd	Hong Kong	Ordinary shares	USD137,033	**–**	**100%**	–	100%	Investment holding
Baoqing Alliance Ltd	BVI	Ordinary shares	USD50	**–**	**100%**	–	100%	Finance leasing
Baoying Alliance Ltd	BVI	Ordinary shares	USD50	**–**	**100%**	–	100%	Finance leasing
Baochun Alliance Ltd	BVI	Ordinary shares	USD50	**–**	**100%**	–	100%	Inactive
Nanshan Financial Leasing (Tianjin) Co., Ltd *(Note i)*	Tianjin, PRC	Ordinary shares	USD136,492	**–**	**100%**	–	100%	Finance leasing
Beijing Nanshan Jinchuang Information Consulting Co., Ltd. *(Note ii)*	Beijing, PRC	Ordinary shares	RMB2,000	**–**	**100%**	–	100%	Consulting
Tianjin Rongjin Enterprise Management & Consulting Co., Ltd *(Note ii)*	Tianjin, PRC	Ordinary shares	RMB2,000	**–**	**100%**	–	100%	Consulting
Nanshan Baozhong (Tianjin) Leasing Co., Ltd. *(Note ii)*	Tianjin, PRC	Ordinary shares	RMB100	**–**	**100%**	–	100%	Finance leasing
Nanshan Baochang (Tianjin) Leasing Co., Ltd. *(Note ii)*	Tianjin, PRC	Ordinary shares	RMB100	**–**	**100%**	–	100%	Finance leasing
Lian Hai Finance Limited *(Note iii)*	Hong Kong	Ordinary shares	HK$100	**–**	**100%**	–	–	Inactive
深圳友聯海德企業管理諮詢有限公司 *(Note ii, iii)*	Shenzhen, PRC	Ordinary shares	RMB1,000,000	**–**	**100%**	–	–	Inactive

Notes:

i) The company is a wholly foreign owned enterprise.
ii) The companies are corporate-owned enterprises with foreign investment.
iii) The subsidiaries are incorporated during the year.

36. PARTICULARS OF SUBSIDIARIES OF THE COMPANY *(Continued)*

Except for Nanshan Leasing, the other subsidiaries had not issued any debt securities for the years ended 31 December 2019 and 2018. Details of the debt securities issued by Nanshan Leasing are set out in Note 25.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	As at 31 December	
	2019	2018
	RMB'000	*RMB'000*
Non- current asset		
Interest in a subsidiary	**945,696**	880,759
Amount due from a subsidiary *(note)*	**257,420**	–
Right-of-use assets	**3,665**	–
	1,206,781	880,759
Current assets		
Prepayment and other receivables	**454**	8,641
Bank balances	**89,054**	6,161
	89,508	14,802
Current liabilities		
Other payables and accrued expenses	**12,508**	1,111
Lease liabilities	**1,447**	–
Amounts due to subsidiaries	**95,454**	38,248
	109,409	39,359
Net current liabilities	**(19,901)**	(24,557)
Total assets less current liabilities	**1,186,880**	856,202
Capital and reserves		
Share capital	**10**	1
Reserves	**1,184,450**	856,201
Total equity	**1,184,460**	856,202
Non-current liabilities		
Lease liabilities	**2,420**	–
	1,186,880	856,202

Note: The amount is unsecured, interest free and repayable within 5 years in accordance with the agreement entered with the subsidiary.

37. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movement in the Company's reserves

	Share premium *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2018	880,839	(11,656)	869,183
Loss and total comprehensive expenses for the year	–	(12,982)	(12,982)
At 31 December 2018 and 1 January 2019	880,839	(24,638)	856,201
Profit and total comprehensive income for the year	–	4,968	4,968
Capitalisation issue of new shares *(Note 27(b))*	(6)	–	(6)
Issuance of new shares upon listing *(Note 27(c))*	360,031	–	360,031
Transaction costs attributable to issue of shares	(36,744)	–	(36,744)
At 31 December 2019	1,204,120	(19,670)	1,184,450

38. EVENTS AFTER THE REPORTING PERIOD

i) The wide spread of the novel Coronavirus in the PRC since the beginning of 2020 is fluid and challenging situation facing all the industries of the society. The Group has already assessed the overall impact of the situation on the operation of the Group and taken all possible effective measures to limit and keep the impact in control. The Group will keep continuous attention on the change of situation and make timely response and adjustments in the future. Up to the date of the report, the assessment is still in progress.

ii) In prior year, the Group has entered a finance lease agreement with Sincere Property Investments Limited (the "Lessee"). Pursuant to the finance lease agreement, the Lessee agreed to assign a Gulfstream GV-SP (G550) aircraft (the "Aircraft") under the name of the Group; and the Group agreed to lease the Aircraft to the Lessee for a term of 84 months. Subsequent to the end of the reporting period, in view of the recent changes in the market conditions, the Group and the Lessee agreed to dispose of the Aircraft and that the sale proceeds thereof shall be used to settle the outstanding sum under the finance lease agreement. Further details of the disposal of aircraft and termination of finance lease agreement were set out in the announcement dated 26 February 2020.

SUMMARY OF FINANCIAL INFORMATION

Key profit or loss items *(RMB thousand)*	For the year ended 31 December 2019	2018	2017	2016	2015
Revenue	**260,876**	358,061	308,747	300,870	145,996
Finance cost	**(186,707)**	(241,557)	(203,995)	(172,247)	(70,167)
Profit before income tax	**(101,589)**	62,683	52,229	46,429	11,400
Profit for the year	**(84,692)**	40,598	36,576	29,279	8,572

Key statement of financial position items *(RMB thousand)*	For the year ended 31 December 2019	2018	2017	2016	2015
Non-current assets	**1,780,925**	2,643,744	3,113,653	2,296,098	2,084,449
Current assets	**1,303,035**	1,568,526	1,649,837	1,909,571	1,439,393
Current liabilities	**195,410**	1,251,911	2,274,431	2,501,545	1,595,246
Total equity	**1,183,072**	941,996	909,496	804,724	641,507
Non-current liabilities	**1,705,478**	2,018,363	1,579,563	899,400	1,287,089

Return to shareholders	For the year ended 31 December 2019	2018	2017	2016	2015
Return on total assets *(Note 1)*	**-2.3%**	0.9%	0.8%	0.8%	0.4%
Return on equity *(Note 2)*	**-8.0%**	4.4%	4.3%	4.1%	1.6%
(Loss) Earnings per share					
– Basic *(RMB Yuan per share)*	**-0.0605**	0.0404	0.0371	0.0314	0.0152

Notes:

1. Return on total assets is derived from dividing profit for the year by the average of total assets as at the beginning and the end of the year and multiplied by 100%.

2. Return on equity is derived from dividing profit for the year by the average of total equity as at the beginning and the end of the year and multiplied by 100%.