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INTERNATIONAL ALLIANCE FINANCIAL LEASING CO., LTD.

国际友联融资租赁有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1563)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2021, the revenue amounted to approximately RMB121.6 million, representing a decrease of approximately 5.0% as compared with that of approximately RMB128.0 million for the six months ended 30 June 2020.
- For the six months ended 30 June 2021, the profit before income tax amounted to approximately RMB65.3 million, as compared with the loss before income tax of approximately RMB44.1 million for the six months ended 30 June 2020.
- For the six months ended 30 June 2021, the profit for the period amounted to approximately RMB44.7 million, as compared with the loss of approximately RMB35.5 million for the six months ended 30 June 2020.
- As at 30 June 2021, the total assets amounted to approximately RMB2,666.4 million, representing a decrease of approximately 14.3% as compared with that of approximately RMB3,109.5 million as at 31 December 2020.
- As at 30 June 2021, the total shareholders' equity amounted to approximately RMB1,241.9 million, representing an increase of approximately 3.9% as compared with that of approximately RMB1,195.5 million as at 31 December 2020.
- For the six months ended 30 June 2021, the return on equity was approximately 3.6%.
- For the six months ended 30 June 2021, the return on total assets was approximately 1.7%.

The board (the “**Board**”) of Directors (the “**Directors**”) of International Alliance Financial Leasing Co., Ltd. (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2021 (the “**Reporting Period**”) with comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
Revenue	5	121,586	127,967
Other income	6	3,032	2,259
Total revenue and other income, gains or losses		124,618	130,226
Finance costs	7	(48,206)	(71,185)
Net exchange (loss) gain		(3,502)	4,217
Staff costs		(6,904)	(4,346)
Other operating expenses		(11,752)	(8,924)
Reversal of (impairment losses) on financial assets, net	8	11,015	(94,135)
Profit (loss) before income tax	9	65,269	(44,147)
Income tax (expense) credit	10	(20,521)	8,619
Profit (loss) for the period		44,748	(35,528)
Other comprehensive income (expense) for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation		1,686	(774)
Profit and total comprehensive income (expense) for the period		46,434	(36,302)
Earnings (loss) per share (Expressed in RMB Yuan per share)			
Basic and diluted	12	0.0298	(0.0237)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		As at 30 June 2021 <i>RMB'000</i> (Unaudited)	As at 31 December 2020 <i>RMB'000</i> (Audited)
Non-current assets			
Plant and equipment	<i>13</i>	149	99
Right-of-use assets	<i>13</i>	1,404	2,068
Intangible assets		1,618	1,794
Finance lease receivables	<i>14</i>	978,149	1,376,356
Other receivables		—	3,500
Deferred tax assets		108,496	112,075
		1,089,816	1,495,892
Current assets			
Finance lease receivables	<i>14</i>	1,261,767	1,327,549
Financial asset at fair value through profit or loss	<i>18</i>	47,999	50,457
Prepayment and other receivables		55,774	27,278
Bank balances	<i>15</i>	211,061	208,330
		1,576,601	1,613,614
Current liabilities			
Bill and other payables		180,861	170,042
Deposits from finance lease customers		49,007	23,827
Lease liabilities		1,534	1,561
Income tax payables		16,532	30,010
Deferred income		12,843	9,948
Borrowings	<i>16</i>	616,110	930,145
		876,887	1,165,533
Net current assets		699,714	448,081
Total assets less current liabilities		1,789,530	1,943,973
Capital and reserves			
Share capital	<i>17</i>	10	10
Reserves		1,241,874	1,195,440
Total equity		1,241,884	1,195,450
Non-current liabilities			
Deposits from finance lease customers		155,425	174,078
Lease liabilities		—	692
Deferred income		20,131	14,872
Borrowings	<i>16</i>	372,090	558,881
		547,646	748,523
		1,789,530	1,943,973

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2021

	Reserves						Subtotal RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000 (Note (i))	Capital reserve RMB'000 (Note (ii))	Surplus reserve RMB'000 (Note (iii))	Translation reserve RMB'000	Retained profits/ losses) RMB'000		
At 1 January 2020 (audited)	10	1,204,120	(42,520)	14,335	2,208	4,919	1,183,062	1,183,072
Loss for the period	—	—	—	—	—	(35,528)	(35,528)	(35,528)
Other comprehensive expense for the period:	—	—	—	—	(774)	—	(774)	(774)
Profit and total comprehensive expense for the period	—	—	—	—	(774)	(35,528)	(36,302)	(36,302)
At 30 June 2020 (unaudited)	<u>10</u>	<u>1,204,120</u>	<u>(42,520)</u>	<u>14,335</u>	<u>1,434</u>	<u>(30,609)</u>	<u>1,146,760</u>	<u>1,146,770</u>
At 1 January 2021 (audited)	10	1,204,120	(42,520)	14,704	(2,024)	21,160	1,195,440	1,195,450
Profit for the period	—	—	—	—	—	44,748	44,748	44,748
Other comprehensive income for the period:	—	—	—	—	1,686	—	1,686	1,686
Profit and total comprehensive income for the period	—	—	—	—	1,686	44,748	46,434	46,434
At 30 June 2021 (unaudited)	<u>10</u>	<u>1,204,120</u>	<u>(42,520)</u>	<u>14,704</u>	<u>(338)</u>	<u>65,908</u>	<u>1,241,874</u>	<u>1,241,884</u>

Notes:

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net cash from (used in) operating activities	543,323	(237,733)
Investing activities		
Withdrawal from restricted bank balances	6,595	63,715
Placement of restricted bank balances	(1,971)	(52,899)
Investment and interest income	2,845	24
Purchases of plant and equipment	(67)	—
Processed on disposal of plant and equipment	—	4
	7,402	10,844
Net cash from investing activities	7,402	10,844
Financing activities		
Repayment of bonds issued	—	(43,000)
Proceeds from borrowings	156,000	586,000
Repayment of borrowings	(648,858)	(183,371)
Repayment of lease liabilities	(710)	(1,677)
Interest paid for bonds issued	—	(10,353)
Interest paid for borrowings	(48,462)	(39,512)
Interest paid for lease liabilities	(84)	(273)
	(542,114)	307,814
Net cash (used in) from financing activities	(542,114)	307,814
Net increase in cash and cash equivalents	8,611	80,925
Cash and cash equivalents at beginning of the period	35,705	257,608
Effects of foreign exchange rate changes	(1,256)	(1,620)
	43,060	336,913
Cash and cash equivalents at end of the period, representing bank balances and cash	43,060	336,913

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. GENERAL INFORMATION

International Alliance Financial Leasing Co., Limited (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 condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is also the functional currency of the Company, and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2021 have been prepared in accordance with International Accounting Standard 34 (“**IAS**”) Interim Financial Reporting, issued by the International Accounting Standards Board (the “**IASB**”) as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020 except as described below.

In the current interim period, the Group has applied, for the first time, the following interpretation, new and amendments to International Financial Reporting Standards (“IFRSs”) issued by the IASB which are effective for the Group’s financial year beginning 1 January 2021.

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

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

4. 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 six months ended 30 June 2021 and 2020.

5. REVENUE

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance lease income	<u>121,586</u>	<u>127,967</u>

6. OTHER INCOME

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Investment and interest income	2,845	1,379
Others	<u>187</u>	<u>880</u>
Total	<u>3,032</u>	<u>2,259</u>

7. FINANCE COSTS

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expense on:		
— Borrowings	39,834	54,524
— Bonds payable	—	9,731
— Bills payable	579	—
— Lease liabilities	84	273
— Imputed interest on deposits from finance lease customers	<u>7,709</u>	<u>6,657</u>
Total	<u>48,206</u>	<u>71,185</u>

8. REVERSAL OF (IMPAIRMENT LOSSES) ON FINANCIAL ASSETS, NET

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Reversal of (impairment losses) recognised in respect of finance lease receivables	<u>11,015</u>	<u>(94,135)</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2020.

During six months ended 30 June 2021, the Group reversed approximately RMB11.0 million impairment allowance due to a gradually improving business environment in the People's Republic of China, thereby certain lessees, particularly those in the healthcare industry, have sufficient cash flow to make timely repayments.

During six months ended 30 June 2020, the Group provided approximately RMB94.1 million impairment allowance, primarily derived from provision for impairment loss of finance lease receivables amounting to RMB94.1 million, due to the increase in credit risk for certain finance lease receivables.

9. PROFIT (LOSS) BEFORE INCOME TAX

Profit (loss) before income tax has been arrived at after charging:

	For the six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Directors' remuneration		
— Salaries and bonus	1,499	1,268
— Social welfare	211	117
Salaries, bonus, allowances, social welfare and other employee benefits	<u>5,194</u>	<u>2,961</u>
Total staff costs	<u>6,904</u>	<u>4,346</u>
Depreciation of plant and equipment	9	2
Depreciation of right-of-use assets	664	1,891
Amortisation of intangible assets	176	176
Lease payments under operating leases:		
— Short-term leases	<u>1,090</u>	<u>—</u>

10. INCOME TAX (EXPENSE) CREDIT

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
PRC Enterprise Income Tax		
— Current period	(16,942)	(18,516)
Deferred tax — current period (<i>note</i>)	<u>(3,579)</u>	<u>27,135</u>
	<u><u>(20,521)</u></u>	<u><u>8,619</u></u>

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

11. DIVIDENDS

No dividend has been paid or proposed by the Company for the six months ended 30 June 2021 and 2020 nor has any dividend been proposed since the end of Reporting Period.

12. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share attributable to owners of the Company is based on the following data:

	For the six months ended 30 June	
	2021 RMB'000 (Unaudited)	2020 RMB'000 (Unaudited)
<u>Profit (loss)</u>		
Profit (loss) for the purpose of basic and diluted earnings per share	<u><u>44,748</u></u>	<u><u>(35,528)</u></u>

	For the six months ended 30 June	
	2021 '000	2020 '000
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u><u>1,500,000</u></u>	<u><u>1,500,000</u></u>

The dilutive earnings (loss) per share is equal to the basic earnings (loss) per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2021 and 2020.

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

During the six months ended 30 June 2021, the Group did not dispose of any plant and equipment (six months ended 30 June 2020: RMB4,000).

During the six months ended 30 June 2021, the Group acquired plant and equipment with a cost of RMB67,000 (six months ended 30 June 2020: nil).

During the six months ended 30 June 2021 and 2020, the Group did not extend any lease agreement that should be recognised as right-of-use asset and lease liability.

14. FINANCE LEASE RECEIVABLES

The minimum lease receivables are set out below:

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Amounts receivable under finance leases		
Within 1 year	1,635,482	1,753,295
After 1 year but within 2 years	842,121	998,866
After 2 years but within 3 years	207,181	445,014
After 3 years but within 4 years	113,051	120,371
After 4 years but within 5 years	66,482	21,101
More than 5 years	—	106,411
	<hr/>	<hr/>
Undiscounted lease payments	2,864,317	3,445,058
Less: unearned finance income	(347,508)	(453,223)
	<hr/>	<hr/>
Net investment in leases	2,516,809	2,991,835
Less: Allowance for impairment losses	(276,893)	(287,930)
	<hr/>	<hr/>
	2,239,916	2,703,905
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purposes as:		
Current assets	1,261,767	1,327,549
Non-current assets	978,149	1,376,356
	<hr/>	<hr/>
	2,239,916	2,703,905
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) 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.
- (ii) 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.

15. BANK BALANCES

	30 June 2021 RMB'000 (Unaudited)	31 December 2020 RMB'000 (Audited)
Bank balances	211,061	208,330
Including: restricted bank balances	168,001	172,625

Bank balances carry floating interest rate based on daily bank deposit rates as at 30 June 2021 and 31 December 2020.

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

16. BORROWINGS

During the six months ended 30 June 2021, the Group obtained new borrowings amounting to RMB156.0 million (six months ended 30 June 2020: new bank loans amounting to RMB586.0 million). The loans carry interest at fixed market rates of 4.10% to 8% (31 December 2020: 3.80% to 8.21%) and are repayable instalments over a period of 3 years. The proceeds were used to finance the operation of the Group.

During the six months ended 30 June 2020, the Group repaid bonds issued amounting to RMB43.0 million (six months ended 30 June 2021: nil).

17. SHARE CAPITAL OF THE COMPANY

	Par value	Number of shares	USD	
Authorised				
1 January 2020, 30 June 2020, 31 December 2020, 1 January 2021 and 30 June 2021	USD0.000001	50,000,000,000	50,000	
	Par value	Number of shares	USD	RMB
Issued				
At 1 January 2020, 30 June 2020, 31 December 2020, 1 January 2021 and 30 June 2021	USD0.000001	1,500,000,000	1,500	10,039

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

The valuation techniques used by the Group include the discounted cash flow model for finance lease receivables, lease liabilities, financial assets at fair value through profit or loss (“FVTPL”) and financial assets measured at amortised cost. The main parameters used in discounted cash flow model include recent transaction prices, relevant interest yield curves, foreign exchange rates, prepayment rates and counterparty credit spreads.

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The following table provides the fair value measurement hierarchy of the Group’s financial assets and financial liabilities as at 30 June 2021 and 31 December 2020:

	30 June 2021 RMB’000 (Unaudited)	31 December 2020 RMB’000 (Audited)
Finance asset at FVTPL		
Listed bond investment	47,999	50,457

There were no transfers into or out of Level 1 of fair value hierarchy during the period.

Financial Instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
		30 June 2021 <i>RMB'000</i>	31 December 2020 <i>RMB'000</i>				
Listed bond investment	Level 1	47,999	50,457	Quoted bid prices in an active market	N/A	N/A	N/A

Except for the financial asset listed above, the Directors consider that the carrying amounts of financial assets recorded at amortised cost in the consolidated financial statements approximate their fair values.

19. 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
Nanshan Group and its subsidiaries	<i>Note</i>

Note: One of the key management of Nanshan Group Co., Ltd (“Nanshan Group”) is Mr. Song Jianbo, whose wife is Ms. Sui Yongqing, the sole shareholder of Union Capital, ultimate shareholder of the Company.

Transaction with related parties

During the six months ended 30 June 2021, the Group entered into the following transactions with related parties that are not members of the Group:

	For the six months ended 30 June	
	2021 <i>RMB'000</i> (Unaudited)	2020 <i>RMB'000</i> (Unaudited)
Finance lease income generated from related parties:		
— Nanshan Group and its subsidiaries	<u>48,932</u>	<u>30,506</u>
Rental expense paid to a related party:		
— Nanshan Group	<u>540</u>	<u>—</u>

The finance lease income was charged at rates ranging from 6.75% to 8.50% per annum for the six months ended 30 June 2021 (six months ended 30 June 2020: from 6.75% to 8.50% per annum).

During the period, the Group entered into a 1-year lease agreement with Nanshan Group, for leasing of properties as office premises.

Finance lease receivables from related parties

	30 June 2021 <i>RMB'000</i> (Unaudited)	31 December 2020 <i>RMB'000</i> (Audited)
Nanshan Group and its subsidiaries	<u>922,042</u>	<u>835,029</u>

Guarantee from related parties

Nanshan Group and its subsidiaries provided guarantees in respect of certain borrowings during the six months ended 30 June 2021, of which RMB47.3 million remained outstanding at 30 June 2021 (31 December 2020: RMB66.5 million).

Compensation to key management personnel

The remuneration of key management personnel of the Group during the six months ended 30 June 2021 and 2020 were as follows:

	For the six months ended	
	30 June 2021 <i>RMB'000</i> (Unaudited)	30 June 2020 <i>RMB'000</i> (Unaudited)
Basic salary and allowances	2,325	1,632
Employer's contribution to pension schemes	60	42
Other social welfare	168	123
Total	<u>2,553</u>	<u>1,797</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

In the first half of 2021, The COVID-19 pandemic (the “**Pandemic**”) situation had been stable in the PRC in the beginning, but the new coronavirus variants have caused the re-emergence of the Pandemic; the Pandemic continues overseas, and the recovery of the domestic and international economic environment still faces severe challenges.

With the re-emergence of the Pandemic combined with the implementation of the Interim Measures for the Supervision and Administration of Financial Leasing Companies* (融資租賃公司監督管理暫行辦法) (the “**Measures**”), financial leasing business in mainland China continues to be in the adaptation phase. The number of companies and registered capital in certain regions have increased slightly, yet the total business volume has continued to decline. Financial leasing companies pay more attention to compliance and the improvement in the risk management capabilities.

The customers served by the Group, which are mostly in healthcare industry and aviation industry. In 2021, business environment in the PRC has gradually improved, thereby certain lessees, particularly those in the healthcare industry, have sufficient cash flow to make timely repayments, leading to a decrease in impairment losses on finance lease receivables of the Group. However, given that global aviation continues to stall, the aviation industry is facing unprecedented challenges, and the industry as a whole is experiencing a downward trend.

Consistent with the practices in 2020, the Group’s management has been proactively deploying different means to recover the Group’s finance lease receivables, including but not limited to instituting legal proceedings, in order to protect its rights and entitlements under the relevant finance lease agreements.

Continuing the upward trend from the annual results for the financial year ended 31 December 2020 of turning loss into profit, the Group recorded further profit for the six months ended 30 June 2021.

FINANCIAL REVIEW

Revenue

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

Revenue decreased by approximately 5.0% from approximately RMB128.0 million for the six months ended 30 June 2020 to approximately RMB121.6 million for the six months ended 30 June 2021.

Impacted by the Pandemic in the past two years, growth of the Group's business was negatively affected. The growth of the overall scale of finance leases has slowed down, which resulted in a decrease in revenue for the Reporting Period. Furthermore, certain lessees failed to repay the principal and/or interest on schedule and some of the outstanding payments had been overdue for a relatively long time. After due and prudent consideration by the management of the Group, finance lease income from such projects were not recognised.

Other income

Other income which primarily derived from bank interest income, which increased by approximately 30.4% from approximately RMB2.3 million for the six months ended 30 June 2020 to approximately RMB3.0 million for the six months ended 30 June 2021.

Staff costs

Staff costs primarily included employee salaries and related costs of other benefits. Staff costs increased by approximately RMB2.6 million from approximately RMB4.3 million for the six months ended 30 June 2020 to approximately RMB6.9 million for the six months ended 30 June 2021, which was a result of the increase in weighted average salary of the employees.

Other operating expenses

Other operating expenses primarily included rental expenses, entertainment expenses, legal and professional fees and travelling expenses. For the six months ended 30 June 2021, other operating expenses amounted to approximately RMB11.8 million (for the six months ended 30 June 2020: approximately RMB8.9 million), representing approximately 9.7% of the total revenue of the Group (for the six months ended 30 June 2020: approximately 6.9%). The increase in the ratio of other operating expenses to total revenue was mainly due to the decrease in total revenue for the six months ended 30 June 2021.

Finance costs

Finance costs primarily derived from interest expenses on (i) borrowings; (ii) bonds payable; (iii) imputed interest on deposits from finance lease customers; (iv) bills payable; and (v) lease liabilities. The finance cost decreased by approximately 32.3% from approximately RMB71.2 million for the six months ended 30 June 2020 to approximately RMB48.2 million for the six months ended 30 June 2021.

In particular, (i) the borrowing costs decreased by approximately 27.0% from approximately RMB54.5 million for the six months ended 30 June 2020 to approximately RMB39.8 million for the six months ended 30 June 2021, which was mainly due to the decrease in borrowings balance; (ii) no interest expenses arising from bonds payable during the Reporting Period (approximately RMB9.7 million for the six months ended 30

June 2020) due to the maturity of a bond payable in 2020; which is offset by the fact that (iii) the Group incurred imputed interest on deposits from finance lease customers of RMB7.7 million for the six months ended 30 June 2021, representing an increase of approximately 14.9% from approximately RMB6.7 million for the six months ended 30 June 2020.

Profit for the Reporting Period

Continuing the upward trend from the annual results for the financial year ended 31 December 2020 of turning loss into profit, the Group recorded further profit for the six months ended 30 June 2021. Profit for the Reporting Period increased by approximately 225.9% from the loss of approximately RMB35.5 million for the six months ended 30 June 2020 to the profit of approximately RMB44.7 million for the six months ended 30 June 2021. The net profit margin for the six months ended 30 June 2021 was 36.8%, representing a significant improvement as compared to that of -27.8% for the six months ended 30 June 2020.

Dividend

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

Liquidity, financial resources and capital resources

As at 30 June 2021, the cash and cash equivalents amounted to approximately RMB43.1 million (31 December 2020: approximately RMB336.9 million). The decrease in cash and cash equivalents was mainly due to the settlement of borrowings during the six months ended 30 June 2021. The total balance of borrowings decreased from RMB1,489.0 million as at 31 December 2020 to RMB988.2 million as at 30 June 2021. Working capital (current assets less current liabilities) and the total equity of the Group amounted to approximately RMB699.7 million (31 December 2020: approximately RMB448.1 million) and approximately RMB1,241.9 million (31 December 2020: approximately RMB1,195.5 million), respectively.

As at 30 June 2021, the gearing ratio (dividing the total indebtedness by total equity and indebtedness as at the end of the relevant period) was approximately 44.0% (31 December 2020: approximately 55.5%). Such decrease was mainly due to the decrease in borrowings and bonds issued.

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. As at 30 June 2021, the respective carrying amounts of each of the above amounted to (i) approximately RMB2,864.3 million, (ii) approximately RMB347.5 million; and (iii) approximately RMB276.9 million, respectively. The finance lease receivables decreased by approximately

17.2% from approximately RMB2,703.9 million as at 31 December 2020 to approximately RMB2,239.9 million as at 30 June 2021. The allowances for impairment losses decreased by approximately 3.8% from approximately RMB287.9 million as at 31 December 2020 to approximately RMB276.9 million as at 30 June 2021.

Employees and remuneration policy

As at 30 June 2021, the Group employed 31 full time employees (31 December 2020: 33) for its principal activities. Employees' benefits expenses (including the Directors' emoluments) amounted to approximately RMB6.9 million for the six months ended 30 June 2021 (for the six months ended 30 June 2020: approximately RMB4.3 million).

The Group recognises the importance of retaining high calibre and competent staff and continuing to provide remuneration packages to employees with reference to the performance of the Group, the performance of individual employees and prevailing market rates. Other type of benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company. Please refer to the section headed "Share Option Scheme" below for further details.

RISK MANAGEMENT

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

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

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

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

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

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

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

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

At the same time, the Group assesses its provisions using an appropriate expected credit loss model based on the relevant requirements of IFRS and its internal provision procedures and guidelines upon consideration of factors such as the nature and characteristics of its industry-specific customers, credit record, economic conditions and trends, history of write-offs, payment delinquencies, the value of the assets underlying the leases and the availability of collateral or guarantees. The Group will regularly assess the expected credit loss model in accordance to actual loss of financial assets and adjust when necessary.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group did not have any material contingent liabilities (31 December 2020: Nil).

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The actual net proceeds (the “**Net Proceeds**”) raised from the global offering of the 495,000,000 new shares of the Company (the “**Global Offering**”) was approximately HK\$354.3 million (RMB323.5 million). As disclosed in the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in the prospectus of the Company dated 28 February 2019 (the “**Prospectus**”), the Company intended to use the Net Proceeds as follows:

1. approximately 50% to apply towards the Group’s business operation expansion in healthcare industry;
2. approximately 40% to apply towards the Group’s business operation expansion in aviation and public infrastructure industries; and
3. approximately 10% to apply towards the Group’s general working capital.

The details of the use of Net Proceeds and the expected timeline for utilising its remaining balance as at 30 June 2021 set out as follows:

Use of Net Proceeds	Planned amount use of the Net Proceeds (RMB’ million) (Note 1)	Utilised amount as at 30 June 2021 (RMB’ million)	Unutilised amount as at 30 June 2021 (RMB’ million)	Expected timeline for utilising the unutilised Net Proceeds ^(Note 2)
The Group’s business operation expansion in healthcare industry	159.6	128.0	31.6	Expected to be fully utilised in or before the end of 2021
The Group’s business operation expansion in aviation and public infrastructure industries	127.7	127.7	—	Fully utilised in 2020
The Group’s general working capital	31.9	31.9	—	Fully utilised in 2021
Total	319.2	287.6	31.6	

Notes:

1. The translation of Renminbi into Hong Kong dollars was based on the rate of RMB1.00 to HK\$1.11.
2. The expected timeline for utilising the remaining Net Proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of the market conditions.

As at 30 June 2021, the Group has not fully utilised the planned Net Proceeds mainly because the global economic growth continued to slow down as well as the recent changes in the economic environment, the market and the relevant industries. Such changes led to the slowdown of the development of the finance leasing industry, the pace of business development of the Company and thus the utilisation of the Net Proceeds for business expansion related to healthcare industry. Subsequently in August 2021, the Company has utilised all the planned Net Proceeds.

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 20 February 2019 which became effective on 15 March 2019. A summary of the principal terms of the Share Option Scheme was set out in Appendix V to the Prospectus.

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

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

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

There was no Share Option outstanding under the Share Option Scheme nor was any Share Option granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme for the six months ended 30 June 2021.

EVENTS AFTER THE REPORTING PERIOD

Mr. Shek Lai Him Abraham was appointed as the independent non-executive Director on 28 July 2021.

Save as the above and disclosed in this announcement, the Group does not have any material subsequent event after 30 June 2021 up to the date of this announcement.

OUTLOOK AND PLANS

Despite the fact that the economy in the PRC continues to recover, the impact of the Pandemic has not been completely eliminated. At the same time, the geopolitical environment remains unstable. The current economic situation is still complicated and severe, with relatively high level of uncertainties and instability.

Amid this backdrop, the Group has implemented and will continue to implement various measures to apply effective identification and assessment on risk assets, to enhance risk management and overdue assets collection, and to develop responsive measures and solutions in line with specific circumstances, aiming to safeguard the interests of the assets of the Company.

Under the guidance as set out in the Measures, the Company will make prudential analysis on the market environment and focus on projects within industries which are counter-cyclical or less cyclical. Meanwhile, the Company will keep running the project review process strictly as always, continue to improve the risk management and internal control procedures, and reasonably control financing costs so as to minimize the impact of the Pandemic as much as possible, to ensure the long-standing and stable development of the Company and to create optimal return for shareholders.

On the other hand, the management of the Group has been exploring opportunity to diversify the Group's business to mitigate the risk of solely operating finance leasing business, as well as to broaden the Group's sources of income to enhance its shareholders' value. For instance, on 19 April 2021, the Company and Nanshan Group Co., Ltd.* (南山集團有限公司) entered into a memorandum of understanding regarding acquisition of the entire sponsor's interest in Yantai Nanshan University* (煙台南山學院) (the "**Proposed Acquisition**"). For further details, please refer to the Company's announcements regarding the Proposed Acquisition dated 19 April 2021, 18 June 2021 and 17 August 2021.

* *English name is for identification purpose only.*

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 to the Listing Rules. From the beginning of the Reporting Period up to the date of this announcement, the Company had complied with all code provisions in the CG Code and had adopted most of the recommend best practices set out in the CG Code.

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

During the six months ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) which was established by the Board in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors. The members of the Audit Committee are Mr. Liu Xuewei, Mr. Liu Changxiang and Mr. Jiao Jian. Mr. Liu Xuewei has been appointed as the chairman of the Audit Committee, and has the appropriate professional qualifications required under the Listing Rules. The Audit Committee has reviewed the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

PUBLICATION OF INFORMATION

This announcement is published on the websites of the Company (www.iaf-leasing.com) and the Stock Exchange (www.hkexnews.hk), respectively. The interim report of the Company for the six months ended 30 June 2021 will be despatched to shareholders of the Company and available on the above websites in due course.

By order of the Board
International Alliance Financial Leasing Co., Ltd.
Jiao Jianbin
Non-Executive Director

Hong Kong, 26 August 2021

As at the date of this announcement, the Board comprises Mr. Li Luqiang and Mr. Li Zhixuan as executive Directors; Mr. Jiao Jianbin as non-executive Director; and Mr. Liu Changxiang, Mr. Liu Xuwei, Mr. Jiao Jian and Mr. Shek Lai Him Abraham as independent non-executive Directors.