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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 2022**

**FINANCIAL HIGHLIGHTS**

- For the six months ended 30 June 2022, the revenue amounted to approximately RMB133.2 million, representing an increase of approximately 9.5% as compared with that of approximately RMB121.6 million for the six months ended 30 June 2021.
- For the six months ended 30 June 2022, the profit before income tax amounted to approximately RMB60.1 million, as compared with that of approximately RMB65.3 million for the six months ended 30 June 2021.
- For the six months ended 30 June 2022, the profit for the period amounted to approximately RMB46.0 million, as compared with that of approximately RMB44.7 million for the six months ended 30 June 2021.
- As at 30 June 2022, the total assets amounted to approximately RMB2,126.3 million, representing a decrease of approximately 12.7% as compared with that of approximately RMB2,436.5 million as at 31 December 2021.
- As at 30 June 2022, the total shareholders' equity amounted to approximately RMB1,320.8 million, representing an increase of approximately 3.7% as compared with that of approximately RMB1,273.5 million as at 31 December 2021.
- For the six months ended 30 June 2022, the return on equity was approximately 3.5%.
- For the six months ended 30 June 2022, the return on total assets was approximately 2.2%.

The board (the “**Board**”) of Directors (the “**Directors**”) of International Alliance Financial Leasing Co., Ltd. (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2022 (the “**Reporting Period**”) with comparative figures for the corresponding period in 2021 as follows:

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

*For the six months ended 30 June 2022*

		<b>Six months ended 30 June</b>	
		<b>2022</b>	2021
	<i>Notes</i>	<b>RMB’000</b>	<b>RMB’000</b>
		<b>(Unaudited)</b>	(Unaudited)
Revenue	5	<b>133,178</b>	121,586
Other income	6	<b>5,212</b>	3,032
Total revenue and other income		<b>138,390</b>	124,618
Finance costs	7	<b>(50,480)</b>	(48,206)
Net exchange loss		<b>(1,584)</b>	(3,502)
Staff costs		<b>(6,689)</b>	(6,904)
Other operating expenses		<b>(16,829)</b>	(11,752)
Impairment losses (recognised) reversed on financial assets	8	<b>(2,701)</b>	11,015
Profit before income tax	9	<b>60,107</b>	65,269
Income tax expense	10	<b>(14,117)</b>	(20,521)
Profit for the period		<b>45,990</b>	44,748
Profit and total comprehensive income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation		<b>1,347</b>	1,686
Profit and total comprehensive income for the period		<b>47,337</b>	46,434
Earnings per share (Expressed in RMB Yuan per share)			
Basic and diluted	12	<b>0.0307</b>	0.0298

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*As at 30 June 2022*

		As at 30 June 2022	As at 31 December 2021
	<i>Notes</i>	<b>RMB'000</b> <b>(Unaudited)</b>	<b>RMB'000</b> <b>(Audited)</b>
<b>Non-current assets</b>			
Plant and equipment	<i>13</i>	191	453
Right-of-use assets	<i>13</i>	—	763
Intangible assets		1,267	1,442
Finance lease receivables	<i>14</i>	727,190	994,471
Deferred tax assets		95,639	94,964
		<b>824,287</b>	<b>1,092,093</b>
<b>Current assets</b>			
Finance lease receivables	<i>14</i>	1,089,320	1,025,489
Financial asset at fair value through profit or loss	<i>18</i>	15,000	48,000
Prepayment and other receivables		28,524	29,130
Bank balances	<i>15</i>	169,196	241,822
		<b>1,302,040</b>	<b>1,344,441</b>
<b>Current liabilities</b>			
Bill and other payables		110,826	101,934
Deposits from finance lease customers		128,973	57,709
Lease liabilities		—	678
Income tax payables		10,776	17,219
Deferred income		10,323	13,040
Borrowings	<i>16</i>	109,784	169,920
		<b>370,682</b>	<b>360,500</b>
Net current assets		<b>931,358</b>	<b>983,941</b>
Total assets less current liabilities		<b>1,755,645</b>	<b>2,076,034</b>
<b>Capital and reserves</b>			
Share capital	<i>17</i>	10	10
Reserves		1,320,801	1,273,464
Total equity		<b>1,320,811</b>	<b>1,273,474</b>
<b>Non-current liabilities</b>			
Deposits from finance lease customers		68,713	162,196
Deferred income		8,195	14,404
Borrowings	<i>16</i>	357,926	625,960
		<b>434,834</b>	<b>802,560</b>
		<b>1,755,645</b>	<b>2,076,034</b>

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
*For the six months ended 30 June 2022*

	Reserves						Subtotal RMB'000	Total RMB'000
	Share capital RMB'000	Share premium RMB'000 <i>(Note (i))</i>	Capital reserve RMB'000 <i>(Note (ii))</i>	Surplus reserve RMB'000 <i>(Note (iii))</i>	Translation reserve RMB'000	Retained profits RMB'000		
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>
At 1 January 2022 (audited)	10	1,204,120	(42,520)	17,715	(2,899)	97,048	1,273,464	1,273,474
Profit for the period	—	—	—	—	—	45,990	45,990	45,990
Other comprehensive income for the period:	—	—	—	—	1,347	—	1,347	1,347
Profit and total comprehensive income for the period	—	—	—	—	1,347	45,990	47,337	47,337
At 30 June 2022 (unaudited)	<u>10</u>	<u>1,204,120</u>	<u>(42,520)</u>	<u>17,715</u>	<u>(1,552)</u>	<u>143,038</u>	<u>1,320,801</u>	<u>1,320,811</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 2022

	Six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Net cash from operating activities</b>	<u>274,724</u>	<u>543,323</u>
<b>Investing activities</b>		
Withdrawal from restricted bank balances	100,000	6,595
Placement of restricted bank balances	(100,000)	(1,971)
Investment and interest income	3,821	2,845
Purchases of plant and equipment	—	(67)
<b>Net cash from investing activities</b>	<u>3,821</u>	<u>7,402</u>
<b>Financing activities</b>		
Proceeds from borrowings	—	156,000
Repayments of borrowings	(331,461)	(648,858)
Repayments of lease liabilities	(678)	(710)
Interest paid for borrowings	(18,754)	(48,462)
Interest paid for lease liabilities	(24)	(84)
<b>Net cash used in financing activities</b>	<u>(350,917)</u>	<u>(542,114)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(72,372)</b>	<b>8,611</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>141,821</b>	<b>35,705</b>
Effects of foreign exchange rate changes	(254)	(1,256)
<b>Cash and cash equivalents at end of the period, representing bank balances</b>	<u><b>69,195</b></u>	<u><b>43,060</b></u>

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

*For the six months ended 30 June 2022*

## 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 2022 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.

## 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 2021 except as described below.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards (“IFRSs”) issued by the IASB which are effective for the Group’s financial year beginning 1 January 2022:

Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendment to IFRSs	Annual Improvements to HKFRSs 2018–2020 cycle

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

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	<b>For the six months ended 30 June</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB’000</b>	<b>RMB’000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Customer A <sup>1</sup>	<b>93,518</b>	<b>48,932</b>

<sup>1</sup> Revenue from this customer includes revenue generated from its subsidiaries.

## 5. REVENUE

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Finance lease income	<u>133,178</u>	<u>121,586</u>

## 6. OTHER INCOME

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Investment and interest income	3,821	2,845
Government grants ( <i>Note</i> )	1,220	—
Others	<u>171</u>	<u>187</u>
Total	<u>5,212</u>	<u>3,032</u>

*Note:* Government grants represent local governments' offer for the refund of value-added tax to enterprises in the finance leasing industry. The government grants are one-off with no specific conditions.

## 7. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expense on:		
— Imputed interest on deposits from finance lease customers	27,050	7,709
— Borrowings	22,045	39,834
— Bills payable	1,361	579
— Lease liabilities	<u>24</u>	<u>84</u>
Total	<u>50,480</u>	<u>48,206</u>



## 8. IMPAIRMENT LOSSES (RECOGNISED) REVERSED ON FINANCIAL ASSETS

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Impairment losses (recognised) reversed on		
— Finance lease receivables	<u>(2,701)</u>	<u>11,015</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 2022 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2021.

During six months ended 30 June 2022, the Group provided a net amount of approximately RMB2.7 million impairment allowance, primarily derived from provision for impairment loss of finance lease receivables amounting to RMB8.1 million, due to the increase in credit risk for certain finance lease receivables, while being offset by a reversal of impairment loss of finance lease receivables amounting to RMB5.4 million, due to the improvement of financial conditions of certain finance lease customers.

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 PRC, thereby certain lessees, particularly those in the healthcare industry, have sufficient cash flow to make timely repayments.

## 9. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Directors' remuneration		
— Salaries and bonus	1,991	1,499
— Social welfare	197	211
Salaries, bonus, allowances, social welfare and other employee benefits	<u>4,501</u>	<u>5,194</u>
Total staff costs	<u>6,689</u>	<u>6,904</u>
Depreciation of plant and equipment	279	9
Depreciation of right-of-use assets	763	664
Amortisation of intangible assets	175	176
Lease payments under operating leases:		
— Short-term leases	<u>1,245</u>	<u>1,090</u>

## 10. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
PRC Enterprise Income Tax		
— Current period	<b>14,792</b>	16,942
Deferred tax — current period ( <i>Note</i> )	<b>(675)</b>	<u>3,579</u>
	<b><u>14,117</u></b>	<b><u>20,521</u></b>

*Note:* During both periods, 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 2022 and 2021 nor has any dividend been proposed since the end of the Reporting Period.

## 12. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
<u>Profit</u>		
Profit for the purpose of basic and diluted earnings per share	<b><u>45,990</u></b>	<u>44,748</u>
	<b>For the six months ended 30 June</b>	
	<b>2022</b>	2021
	<b>'000</b>	'000
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<b><u>1,500,000</u></b>	<u>1,500,000</u>

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2022 and 2021.

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

During the six months ended 30 June 2022, the Group did not dispose of any plant and equipment (six months ended 30 June 2021: nil).

During the six months ended 30 June 2022, the Group did not acquire any plant and equipment (six months ended 30 June 2021: RMB67,000).

During the six months ended 30 June 2022 and 2021, 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:

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Amounts receivable under finance leases		
Within 1 year	<b>1,508,690</b>	1,476,970
After 1 year but within 2 years	<b>354,576</b>	562,488
After 2 years but within 3 years	<b>245,884</b>	261,002
After 3 years but within 4 years	<b>172,681</b>	181,902
After 4 years but within 5 years	<b>93,843</b>	84,772
More than 5 years	<b>—</b>	23,477
	<hr/>	<hr/>
Gross investment in leases	<b>2,375,674</b>	2,590,611
Less: unearned finance income	<b>(295,974)</b>	(310,162)
	<hr/>	<hr/>
Present value of minimum lease payments receivable	<b>2,079,700</b>	2,280,449
Less: allowance for impairment losses	<b>(263,190)</b>	(260,489)
	<hr/>	<hr/>
	<b>1,816,510</b>	2,019,960
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purposes as:		
Current assets	<b>1,089,320</b>	1,025,489
Non-current assets	<b>727,190</b>	994,471
	<hr/>	<hr/>
	<b>1,816,510</b>	2,019,960
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*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

	<b>30 June 2022 RMB'000 (Unaudited)</b>	31 December 2021 RMB'000 (Audited)
Bank balances	<b>169,196</b>	241,822
Including: restricted bank balances	<b><u>100,001</u></b>	<u>100,001</u>

Bank balances carry floating interest rate based on daily bank deposit rates as at 30 June 2022 and 31 December 2021.

Restricted bank balances represents deposits pledged to banks for borrowings. Deposits amounting to RMB100,001,000 (31 December 2021: RMB100,001,000) have been pledged to secure short-term bank borrowings and are therefore classified as current assets. The Group cannot use them until the related transactions are matured and released.

The restricted bank balances carry fixed interest rate of 2.25% (31 December 2021: 2.25%) per annum.

## 16. BORROWINGS

During the six months ended 30 June 2022, the Group did not obtain any new borrowings (six months ended 30 June 2021: new bank loans amounting to RMB156.0 million). The loans carry interest at fixed market rates of 3.80% to 8.00% (31 December 2021: 3.80% to 8.00%) and are repayable instalments over a period of 3 years. The proceeds were used to finance the operation of the Group.

The Group entered into sale and repurchase agreements with certain counterparties with respect to some of the Group's finance lease receivables (Note 14), and as a result recognised secured and unguaranteed borrowings. The carrying amounts of such finance lease receivables were approximately RMB331.1 million as at 30 June 2022 (31 December 2021: RMB326.7 million).

## 17. SHARE CAPITAL OF THE COMPANY

	Par value	Number of shares	USD	
<b>Authorised</b>				
1 January 2021, 30 June 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>USD0.000001</u>	<u>50,000,000,000</u>	<u>50,000</u>	
	Par value	Number of shares	USD	RMB
<b>Issued</b>				
At 1 January 2021, 30 June 2021, 31 December 2021, 1 January 2022 and 30 June 2022	<u>USD0.000001</u>	<u>1,500,000,000</u>	<u>1,500</u>	<u>10,039</u>

## 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 2022 and 31 December 2021:

	<b>30 June 2022 RMB’000 (Unaudited)</b>	31 December 2021 RMB’000 (Audited)
Finance asset at FVTPL		
Listed bond investment	<u>15,000</u>	<u>48,000</u>

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 2022 <i>RMB'000</i>	31 December 2021 <i>RMB'000</i>				
Listed bond investment	Level 1	15,000	48,000	Quoted bid prices in an active market	N/A	N/A	N/A

Except for the financial asset listed above, the directors of the Company consider that the carrying amounts of financial assets recorded at amortised cost in the condensed 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 2022, the Group entered into the following transactions with related parties that are not members of the Group:

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
Finance lease income generated from related parties:		
— Nanshan Group and its subsidiaries	<u>93,518</u>	<u>48,932</u>
Rental expense paid to related parties:		
— Nanshan Group and its subsidiaries	<u>993</u>	<u>540</u>

The finance lease income was charged at rates ranging from 5.90% to 8.50% per annum for the six months ended 30 June 2022 (six months ended 30 June 2021: from 6.75% to 8.50% per annum).

During both periods, the Group entered into certain 1-year lease agreements with Nanshan Group and its subsidiaries, for leasing of properties as office premises.

#### Finance lease receivables from related parties

	<b>30 June 2022</b>	31 December 2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Audited)
Nanshan Group and its subsidiaries	<b><u>1,061,355</u></b>	<u>1,009,979</u>

#### Compensation to key management personnel

The remuneration of key management personnel of the Group during the six months ended 30 June 2022 and 2021 were as follows:

	<b>For the six months ended</b>	
	<b>30 June 2022</b>	30 June 2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
	<b>(Unaudited)</b>	(Unaudited)
Basic salary and allowances	<b>2,911</b>	2,325
Employer's contribution to pension schemes	<b>51</b>	60
Other social welfare	<b>154</b>	168
Total	<b><u>3,116</u></b>	<u>2,553</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 2022, the COVID-19 pandemic (the “**Pandemic**”) situation fluctuated in the PRC, and the recovery of the domestic 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**”), finance leasing business in mainland China continues to be in the improvement, adjustment and adaptation phase. Finance leasing companies pay more attention to compliance management and the improvement in the risk management capabilities.

The customers served by the Group, which are mostly in healthcare industry and aviation industry. In the first half of 2022, business environment in the PRC remained stable, thereby certain lessees, particularly those in the healthcare industry, have sufficient cash flow to make timely repayments, hence the Group was not required to make significant impairment provision on finance lease receivables during the Reporting Period.

Consistent with the practices in 2021, the Group’s management has been proactively deploying various 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 profitable trend from previous year, the Group recorded profit of approximately RMB46.0 million for the six months ended 30 June 2022.

### FINANCIAL REVIEW

#### Revenue

The Group’s revenue mainly derived from finance lease income. The Group’s finance leasing offerings included sale-leaseback and direct finance leasing. 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 easing growth in revenue for the Reporting Period.

Revenue for the period increased by approximately 9.5% from approximately RMB121.6 million for the six months ended 30 June 2021 to approximately RMB133.2 million for the six months ended 30 June 2022.



## **Other income**

Other income, which was primarily derived from investment and interest income, increased by approximately 73.3% from approximately RMB3.0 million for the six months ended 30 June 2021 to approximately RMB5.2 million for the six months ended 30 June 2022.

## **Staff costs**

Staff costs primarily included employee salaries and related costs of other benefits. During the Reporting Period, the number of staff and staff costs remained stable, which decreased slightly by approximately RMB0.2 million from approximately RMB6.9 million for the six months ended 30 June 2021 to approximately RMB6.7 million for the six months ended 30 June 2022.

## **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 2022, other operating expenses amounted to approximately RMB16.8 million (for the six months ended 30 June 2021: approximately RMB11.8 million), representing approximately 12.6% of the total revenue of the Group (for the six months ended 30 June 2021: approximately 9.7%). The increase in the ratio of other operating expenses to total revenue was mainly due to the increase in legal and professional fees incurred in relation to the extreme transaction and connected transaction regarding the acquisition of 70% interests in Yantai Nanshan University\* (煙台南山學院).

## **Finance costs**

Finance costs were primarily derived from interest expenses on (i) borrowings; (ii) imputed interest on deposits from finance lease customers; (iii) bills payable; and (iv) lease liabilities. The finance cost increased by approximately 4.8% from approximately RMB48.2 million for the six months ended 30 June 2021 to approximately RMB50.5 million for the six months ended 30 June 2022.

In particular, the Group incurred imputed interest on deposits from finance lease customers of RMB27.1 million for the six months ended 30 June 2022, representing an increase of approximately 251.9% from approximately RMB7.7 million for the six months ended 30 June 2021 which was a result of early termination of certain finance lease contracts. It was offset by the decrease in borrowing costs by approximately 44.7% from approximately RMB39.8 million for the six months ended 30 June 2021 to approximately RMB22.0 million for the six months ended 30 June 2022, which was mainly due to the decrease in borrowings balance.

## **Profit for the Reporting Period**

Profit for the Reporting Period increased by approximately 2.9% from approximately RMB44.7 million for the six months ended 30 June 2021 to approximately RMB46.0 million for the six months ended 30 June 2022. The net profit margin remained stable. It was 34.5% and 36.8% for the six months ended 30 June 2022 and 2021 respectively. The slight drop was a result of the increase in legal and professional fees incurred during the Reporting Period as mentioned above.

## **Dividend**

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2022 (for the six months ended 30 June 2021: nil).

## **Liquidity, financial resources and capital resources**

As at 30 June 2022, the cash and cash equivalents amounted to approximately RMB69.2 million (31 December 2021: approximately RMB141.8 million). The decrease in cash and cash equivalents was mainly due to the settlement of borrowings during the six months ended 30 June 2022. The total balance of borrowings decreased from RMB795.9 million as at 31 December 2021 to RMB467.7 million as at 30 June 2022. Working capital (current assets less current liabilities) and the total equity of the Group amounted to approximately RMB931.4 million (31 December 2021: approximately RMB983.9 million) and approximately RMB1,320.8 million (31 December 2021: approximately RMB1,273.5 million), respectively.

As at 30 June 2022, the gearing ratio (dividing the total indebtedness by total equity and indebtedness as at the end of the relevant period) was approximately 26.2% (31 December 2021: approximately 38.5%). Such decrease was mainly due to the decrease in borrowings.

## **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 2022, the respective carrying amounts of each of the above amounted to (i) approximately RMB2,375.7 million; (ii) approximately RMB296.0 million; and (iii) approximately RMB263.2 million, respectively. The finance lease receivables decreased by approximately 10.1% from approximately RMB2,020.0 million as at 31 December 2021 to approximately RMB1,816.5 million as at 30 June 2022.

### **Background information of the lessee which was relevant to the impairment recorded during the period**

One customer, which was in the aviation industry was unable to repay the relevant rental fees for the period ended 30 June 2022. Accordingly, the Group made provision for impairment under IFRS 9 — Financial instruments to reflect the outstanding sum during the period.

### **The factors, events and circumstances leading to the reversal of impairment loss**

Consistent with practices in previous financial years, in the period ended 30 June 2022, the Group has assessed the general ageing of finance lease receivables and took prudent measures to recover the outstanding rental fee. Such measures included but not limited to demanding repayments by telephone calls and physical visits, as well as instituting legal proceedings, etc.

The allowances for impairment losses slightly increased by approximately 1.0% from approximately RMB260.5 million as at 31 December 2021 to approximately RMB263.2 million as at 30 June 2022. The increase mainly represented a net amount of approximately RMB2.7 million impairment allowance provided by the Group, primarily derived from provision for impairment loss of finance lease receivables amounting to RMB8.1 million, due to the increase in credit risk for certain finance lease receivables, while being offset by a reversal of impairment loss of finance lease receivables amounting to RMB5.4 million, due to the improvement of financial conditions of certain finance lease customers.

The Board is of the view that the net provision of impairment losses for the period ended 30 June 2022 is fair and reasonable because (a) it is in line with the relevant accounting policies under IFRS; and (b) it is in conformity of the market situation and reflecting the Company's situation.

### **The methods and basis used in determining the amount of the impairment and the Company's measures of recovering the impaired finance lease receivables**

Consistent with the practices in 2021, there has been no change to the methods and basis used in determining the amount of the impairment and the Group considers that the measures of recovering the impaired finance lease receivables remained effective.

### **Employees and remuneration policy**

As at 30 June 2022, the Group employed 33 full time employees (31 December 2021: 32) for its principal activities. Employees' benefits expenses (including the Directors' emoluments) amounted to approximately RMB6.7 million for the six months ended 30 June 2022 (for the six months ended 30 June 2021: approximately RMB6.9 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 2022, the Group did not have any material contingent liabilities (31 December 2021: Nil).

## **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 of the Company dated 28 February 2019.

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

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

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

There was no Share Option outstanding under the Share Option Scheme nor was any Share Option granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme for the six months ended 30 June 2022.

## **EVENTS AFTER THE REPORTING PERIOD**

### **Completion of the Acquisition**

On 6 July 2022, the Company and Longkou Cheer Manor Education Consulting Service Co., Ltd.\* (龍口智民教育諮詢服務有限公司) (“**Longkou Zhimin**”), an indirect wholly-owned subsidiary of the Company, entered into the acquisition agreement with Mr. Song Zuowen (“**Mr. Song**”), Nanshan Group and Yantai Nanshan University\* (煙台南山學院) (the “**Target College**”), pursuant to which Longkou Zhimin, as the purchaser, has conditionally agreed to acquire, and Mr. Song and Nanshan Group as the vendors, have conditionally agreed to sell, the control of the Target College and 70.0% equity interest in the Designated School Sponsor (as defined in the circular of the Company dated 3 August 2022 (the “**Circular**”)) at a total consideration of RMB566.0 million (equivalent to approximately HK\$660.4 million).

The Completion Conditions (as defined in the Circular) have been satisfied and Completion (as defined in the Circular) took place on 18 August 2022. Upon Completion, the financial results of the Target College would be consolidated to the consolidated financial statements of the Company pursuant to the 1st set of Structured Contracts (as defined in the Circular).

Further details of the Acquisition were set out in the announcements dated 18 June 2021, 17 August 2021, 15 December 2021, 13 June 2022, 6 July 2022 and 2 August 2022, the 2<sup>nd</sup> announcement dated 18 August 2022 and the Circular.

## **Commencement of the term of the Framework Agreements**

As approvals by (1) the Board in relation to the Framework Agreements (as defined in the Circular) and (2) the Independent Shareholders (as defined in the Circular) in relation to the Framework Procurement Agreements (as defined in the Circular) have been obtained, and Completion has taken place on 18 August 2022, all of the conditions precedent of the Framework Agreements as detailed in the Circular have been fulfilled. Accordingly, the Framework Agreements have become effective on 18 August 2022, and shall expire on 31 December 2024.

## **Appointment of executive Directors**

Mr. Luo Zhenming and Mr. Qiao Renjie were appointed as the executive Directors on 18 August 2022. For further details of Mr. Luo Zhenming and Mr. Qiao Renjie, please refer to the section headed “Core Management Team of the Target College” and the 2<sup>nd</sup> announcement of the Company dated 18 August 2022.

Save as the above and disclosed in this announcement, the Group does not have any material subsequent event after 30 June 2022 and 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. As mentioned above, on 6 July 2022, the Company entered into the acquisition agreement to acquire the control of Yantai Nanshan University\* (煙台南山學院). The Completion Conditions have been satisfied and Completion took place on 18 August 2022. From 18 August 2022 onwards, the financial results of Yantai Nanshan University would be consolidated to the consolidated financial statements of the Company.

The abovementioned is expected to mitigate and disperse the potential risks of solely carrying on and concentrating on the finance leasing business, as well as broadening the Group's sources of income to enhance its shareholders' value and ensure sustainable growth.

## **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 2022, 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 2022.



## 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](http://www.iaf-leasing.com)) and the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)), respectively. The interim report of the Company for the six months ended 30 June 2022 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, 30 August 2022

*As at the date of this announcement, the Board comprises Mr. Li Luqiang, Mr. Liu Zhenjiang, Mr. Luo Zhenming and Mr. Qiao Renjie as executive Directors; Mr. Jiao Jianbin as non-executive Director; and Mr. Liu Changxiang, Mr. Liu Xuewei, Mr. Jiao Jian and Mr. Shek Lai Him Abraham as independent non-executive Directors.*

\* *For identification purpose only*