



**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 REPORT 2022

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CORPORATE INFORMATION

COMPANY NAME

International Alliance Financial Leasing Co., Ltd.
(the “**Company**”, together with its subsidiaries,
the “**Group**”)

STOCK CODE

1563

BOARD OF DIRECTORS

Executive Directors

Mr. LI Luqiang (*Chief Executive Officer*)
Mr. LIU Zhenjiang
Mr. LUO Zhenming (appointed on 18 August 2022)
Mr. QIAO Renjie (appointed on 18 August 2022)

Non-Executive Director

Mr. JIAO Jianbin

Independent Non-Executive Directors

Mr. LIU Changxiang
Mr. LIU Xuewei
Mr. JIAO Jian
Mr. SHEK Lai Him Abraham

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. YUEN Kin Shan

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY WEBSITE

www.iaf-leasing.com

AUDITOR

SHINEWING (HK) CPA Limited
Registered Public Interest Entity Auditor

HONG KONG LEGAL ADVISOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

PRINCIPAL BANKS

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

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

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 (the “**Reporting Period**”).

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 (the “**Board**”) of directors of the Company (the “**Directors**”) 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).

MANAGEMENT DISCUSSION AND ANALYSIS

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. As at 30 June 2022, the Group's borrowings due within one year amounted to approximately RMB109.8 million (31 December 2021: approximately RMB169.9 million) and the Group's borrowings due after one year amounted to approximately RMB357.9 million (31 December 2021: approximately RMB626.0 million). For further details, including the capital structure, maturity profile and effective interest rates, please refer to Notes 16 and 17 to the condensed consolidated interim financial information. 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 Reporting Period

One customer, which was in the aviation industry, was unable to repay the relevant rental fees for the six months 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 six months 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

Pledged assets

As at 30 June 2022, save as disclosed in this report, including but not limited to Note 15 to the unaudited condensed consolidated financial statements, the Group did not have any pledged assets.

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.

Significant investments

The Company did not have any significant investments (including significant investments which accounted for 5% or more of the total assets of the Group) during the Reporting Period.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

Foreign exchange risk

The Group receives majority of payments from customers in Renminbi and majority of the Group's revenue and costs are also denominated in Renminbi. The Group may need to convert and remit Renminbi into foreign currencies for the payment of dividends, if any, to holders of shares of the Company (the "Shares"). The Group assets and liabilities are mainly denominated in Renminbi, United States dollar and Hong Kong dollar. The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily in respect to the Renminbi. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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).

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float for the issued Shares as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”).

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) 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 of the Company dated 18 June 2021, 17 August 2021, 15 December 2021, 13 June 2022, 6 July 2022 and 2 August 2022, the 2nd announcement of the Company 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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” of the Circular and the 2nd announcement of the Company dated 18 August 2022.

Save as the above and disclosed in this report, the Group does not have any material subsequent event after 30 June 2022 and up to the date of this report.

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 minimise 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 the Target College. The Completion Conditions have been satisfied and Completion took place on 18 August 2022. From 18 August 2022 onwards, the financial results of the Target College 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.

OTHER INFORMATION

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 report, 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.

BOARD COMMITTEES

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

Audit Committee

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee has three members, namely Mr. LIU Xuewei (劉學偉), Mr. JIAO Jian (焦健) and Mr. LIU Changxiang (劉長祥). Mr. LIU Xuewei (劉學偉), an independent non-executive Director (“**INED**”), has been appointed as the chairman of the Audit Committee, and has the appropriate professional qualifications required under the Listing Rules. The primary duties of the Audit Committee are providing supervision over the Group’s financial reporting process and internal controls.

During the Reporting Period, the Company has held two meetings of Audit Committee in March 2022 and April 2022 and all three members of the Audit Committee attended both meetings. The Audit Committee reviewed the internal controls and results of the Group for the year ended 31 December 2021 and proposed adoption of the same by the Directors. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and risk management and other matters.

The Audit Committee has reviewed the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2022 and this report.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee has three members, namely Mr. LIU Changxiang (劉長祥), Mr. JIAO Jian (焦健) and Mr. LIU Xuewei (劉學偉). Mr. LIU Changxiang (劉長祥), an INED, has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangements. During the Reporting Period, the Company has held one meeting of Remuneration Committee in April 2022 and all three members of the Remuneration Committee attended the meeting. During the meeting, the Remuneration Committee had reviewed the current remuneration of some of the Directors and made recommendations to the Board. The Board has adopted the recommendations from the Remuneration Committee. In addition, in August 2022, the Company has held another meeting of Remuneration Committee and all three members of the Remuneration Committee attended the meeting. During the meeting, the Remuneration Committee had approved and recommended to the Board the remuneration entitled by Mr. LUO Zhenming and Mr. QIAO Renjie as executive Directors.

OTHER INFORMATION

Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee has three members, namely Mr. LIU Xuewei (劉學偉), Mr. JIAO Jian (焦健) and Mr. LIU Changxiang (劉長祥). Mr. LIU Xuewei (劉學偉), an INED, has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointments of the Directors, assess the independence of the INEDs, take up references and consider related matters. During the Reporting Period, the Company has held one meeting of Nomination Committee in April 2022 and all three members of the Nomination Committee attended the meeting. During the meeting, the Nomination Committee had reviewed the independence of INEDs and made recommendations of directors for election in the annual general meeting. In addition, in August 2022, the Company has held another meeting of Nomination Committee and all three members of the Nomination Committee attended the meeting. During the meeting, the Nomination Committee had approved and recommended to the Board the appointment of Mr. LUO Zhenming and Mr. QIAO Renjie as executive Directors with effect from 18 August 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 “**Model Code**”). The Company will periodically issue notices to its Directors reminding them of the general prohibition on dealing in the Company’s listed securities during the blackout periods before the publication of announcements of financial results. The Company has made specific enquiry of the Directors and all the Directors confirmed that they have complied with the Securities Dealing Code throughout the period from the beginning of the Reporting Period up to the date of this report.

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.

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 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.

OTHER INFORMATION

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.

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

As at 30 June 2022, the interests or short positions of the Directors and chief executive of the Company and their associates in the Shares, underlying Shares and debentures of the Company or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the "SFO") as defined below) which will be required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into the register referred to in that section, or which will be required, pursuant to Securities Dealing Code, to be notified to the Company and the Stock Exchange, were as follows:

Long positions in Shares/underlying Shares of Directors and chief executive of the Company

Name of Director/ chief executive	Capacity/nature of interest	Number and class of Shares ⁽¹⁾	Percentage of interest in the Company
Mr. Li Luqiang (李璐強)	Interested in controlled corporation ⁽²⁾	7,881,797 Shares (L)	0.53%
	Beneficial owner	621,000 Shares (L)	0.04%

Notes:

- (1) The letter "L" denotes the person's long positions in the Shares.
- (2) The Company is owned as to approximately 0.53% by RongJin Enterprise Management & Consulting Co., Ltd. ("RongJin"). RongJin is wholly owned by Mr. Li Luqiang. Mr. Li Luqiang is therefore deemed to be interested in the Shares in which RongJin is interested pursuant to the SFO.

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executives of the Company and/or any of their respective associates had any interest and short position in the Shares, underlying Shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or to the Model Code.

OTHER INFORMATION

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, the following parties (other than the Directors and chief executive of the Company as disclosed above) had interests of 5% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in Shares/underlying Shares

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

Notes:

- (1) The letter "L" denotes the person's long positions in the Shares.
- (2) Union Capital is wholly owned by Ms. Sui Yongqing. Ms. Sui Yongqing is therefore deemed to be interested in the Shares in which Union Capital is interested pursuant to the SFO.
- (3) Mr. Song Jianbo is the spouse of Ms. Sui Yongqing. Mr. Song Jianbo is therefore deemed to be interested in the Shares in which Ms. Sui Yongqing is interested pursuant to the SFO.
- (4) PA Investor was established as a segregated portfolio company and 100% of the management shares in PA Investor are owned by Ping An of China Securities (Hong Kong) Company Limited (中國平安證券(香港)有限公司) which was, in turn wholly owned by Ping An Securities Co., Ltd.* (平安證券股份有限公司), which was then owned by Ping An Insurance as to approximately 40.96% and owned by China Ping An Trust Co., Ltd. (平安信託有限責任公司) as to approximately 55.7%, which was owned by Ping An Insurance as to approximately 99.9%. Ping An of China Securities (Hong Kong) Company Limited, Ping An Securities Co., Ltd., China Ping An Trust Co., Ltd. and Ping An Insurance are therefore be deemed, or taken to be interested in the Shares in which PA Investor is interested pursuant to the SFO.

Save as disclosed above, the Company had not been notified of any other interests or short positions being held by any substantial shareholder in the Shares or underlying Shares as at 30 June 2022.

OTHER INFORMATION

CHANGE IN DIRECTOR'S INFORMATION

Change in director's information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules is set out below:

Mr. LUO Zhenming and Mr. QIAO Renjie have been appointed as executive Directors on 18 August 2022. For further details, please refer to the 2nd announcement of the Company dated 18 August 2022.

REVIEW OF INTERIM FINANCIAL INFORMATION

The Audit Committee has reviewed the condensed consolidated interim financial information and this report and is of the opinion that such information complies with applicable accounting standards, the requirements under the Listing Rules and other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 30 August 2022

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2022

	Reserves							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 RMB'000	Subtotal 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)	10	1,204,120	(42,520)	14,704	(338)	65,908	1,241,874	1,241,884
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)	10	1,204,120	(42,520)	17,715	(1,552)	143,038	1,320,801	1,320,811

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 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	274,724	543,323
INVESTING ACTIVITIES		
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)
NET CASH FROM INVESTING ACTIVITIES	3,821	7,402
FINANCING ACTIVITIES		
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)
NET CASH USED IN FINANCING ACTIVITIES	(350,917)	(542,114)
Net (decrease) increase in cash and cash equivalents	(72,372)	8,611
Cash and cash equivalents at beginning of the period	141,821	35,705
Effects of foreign exchange rate changes	(254)	(1,256)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD, REPRESENTING BANK BALANCES	69,195	43,060

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

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:

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Customer A ¹	93,518	48,932

¹ Revenue from this customer includes revenue generated from its subsidiaries.

5. REVENUE

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

6. OTHER INCOME

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

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 RMB'000 (Unaudited)	2021 RMB'000 (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	24	84
Total	50,480	48,206

8. IMPAIRMENT LOSSES (RECOGNISED) REVERSED ON FINANCIAL ASSETS

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Impairment losses (recognised) reversed on		
— Finance lease receivables	(2,701)	11,015

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

8. IMPAIRMENT LOSSES (RECOGNISED) REVERSED ON FINANCIAL ASSETS *(Continued)*

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 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Directors' remuneration		
— Salaries and bonus	1,991	1,499
— Social welfare	197	211
Salaries, bonus, allowances, social welfare and other employee benefits	4,501	5,194
Total staff costs	6,689	6,904
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	1,245	1,090

10. INCOME TAX EXPENSE

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

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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

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 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Profit		
Profit for the purpose of basic and diluted earnings per share	45,990	44,748

	For the six months ended 30 June	
	2022 '000	2021 '000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	1,500,000	1,500,000

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 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

14. FINANCE LEASE RECEIVABLES

The minimum lease receivables are set out below:

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

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

	For the six months ended 30 June 2022			
	Individual provisions 12 months ECL <i>RMB'000</i>	Individual provision lifetime ECL not credit- impaired <i>RMB'000</i>	Individual provision as lifetime ECL credit- impaired <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2022 (audited)	2,787	235	257,467	260,489
Changes due to finance lease receivables recognised in the opening balance that have:				
— Transferred to 12m ECL	108	(108)	—	—
— Transferred from Lifetime ECL not credit-impaired	(75)	75	—	—
Provided for the year (Note)	1,066	—	7,000	8,066
Reversal for the year (Note)	(1,332)	(112)	(3,921)	(5,365)
Balance at 30 June 2022 (unaudited)	2,554	90	260,546	263,190
Expected loss rate	0.16%	0.18%	59.39%	12.66%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

14. FINANCE LEASE RECEIVABLES (Continued)

	For the year ended 31 December 2021			
	Individual provisions 12 months ECL	Individual lifetime ECL not credit-impaired	Individual provision as lifetime ECL credit-impaired	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021 (audited)	3,458	3,426	281,046	287,930
Changes due to finance lease receivables recognised in the opening balance that have:				
— Transferred to 12m ECL	2,556	(2,556)	—	—
— Transferred to Lifetime ECL not credit-impaired	—	20,984	(20,984)	—
Provided for the year (Note)	807	—	27,791	28,598
Reversal for the year (Note)	(4,034)	(21,619)	(30,352)	(56,005)
Foreign currency translation	—	—	(34)	(34)
Balance at 31 December 2021 (audited)	2,787	235	257,467	260,489
Expected loss rate	0.16%	0.31%	61.31%	11.42%

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

The following is a credit quality analysis of finance lease receivables. In the event that an instalment repayment of a finance lease receivables is past due, the entire outstanding balance of the finance lease receivables is classified as past due.

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

	As at 30 June 2022 (Unaudited)			As at 31 December 2021 (Audited)		
	Present value of finance lease receivables	Expected credit losses	Carrying amount	Present value of finance lease receivables	Expected credit losses	Carrying amount
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
12 months ECL	1,591,497	(2,554)	1,588,943	1,786,045	(2,787)	1,783,258
Lifetime ECL not credit-impaired	49,508	(90)	49,418	74,456	(235)	74,221
Lifetime ECL credit-impaired	438,695	(260,546)	178,149	419,948	(257,467)	162,481
	2,079,700	(263,190)	1,816,510	2,280,449	(260,489)	2,019,960

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

14. FINANCE LEASE RECEIVABLES *(Continued)*

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 12 months 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 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Bank balances	169,196	241,822
Including: restricted bank balances	100,001	100,001

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 borrowing. 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).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

17. SHARE CAPITAL OF THE COMPANY

	Par value	Number of shares	USD	
Authorised				
At 1 January 2021, 30 June 2021, 31 December 2021, 1 January 2022 and 30 June 2022	USD0.000001	50,000,000,000	50,000	
Issued				
At 1 January 2021, 30 June 2021, 31 December 2021, 1 January 2022 and 30 June 2022	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 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS *(Continued)*

Fair value measurements and valuation processes *(Continued)*

The following table provides the fair value measurement hierarchy of the Group's financial assets as at 30 June 2022 and 31 December 2021:

	30 June 2022 RMB'000 (Unaudited)	31 December 2021 RMB'000 (Audited)
Finance asset at FVTPL		
Listed bond investment	15,000	48,000

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	31 December 2021				
		RMB'000	RMB'000				
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, the ultimate shareholder of the Company.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

19. RELATED PARTY TRANSACTIONS *(Continued)*

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 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Finance lease income generated from related parties:		
— Nanshan Group and its subsidiaries	93,518	48,932
Rental expense paid to related parties:		
— Nanshan Group and its subsidiaries	993	540

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

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

Compensation to key management personnel

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

	For the six months ended 30 June	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Basic salary and allowances	2,911	2,325
Employer's contribution to pension schemes	51	60
Other social welfare	154	168
Total	3,116	2,553

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2022

20. EVENTS AFTER THE REPORTING PERIOD

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 at a total consideration of RMB566.0 million (equivalent to approximately HK\$660.4 million). The completion conditions to the Second Payment have been satisfied and completion took place on 18 August 2022.

Further details of the acquisition were set out in the announcements of the Company dated 18 June 2021, 17 August 2021, 15 December 2021, 13 June 2022, 6 July 2022, 2 August 2022, the 2nd announcement of the Company dated 18 August 2022 and the circular of the Company dated 3 August 2022 (the “**Circular**”).

*: *English name is for identification purpose only*