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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **International Alliance Financial Leasing Co., Ltd.**, you should hand this circular together with the accompanying proxy form at once to the purchaser or transferee or to the bank, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTION  
AND MAJOR TRANSACTION —  
FINANCE LEASING FRAMEWORK AGREEMENT  
FOR 2023 TO 2025**

**Independent Financial Adviser to the Independent Board Committee  
and the Independent Shareholders**



**SOMERLEY CAPITAL LIMITED**

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Capitalised terms used in this cover page shall bear the same meanings as those defined in the section headed “Definitions” in this circular.

A notice convening the EGM to be held at 13th Floor, T4, Qiaochengfang, No. 4080, Qiaoxiang Road, Nanshan District, Shenzhen, Guangdong, The People’s Republic of China on Friday, 6 January 2023 at 10 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed with this circular. Whether or not you plan to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

19 December 2022

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

“Annual Cap(s)”	the proposed maximum aggregate balance of all outstanding finance leases for the Effective Period, comprising of (i) the principal amounts and expected interest income from provision of Finance Leasing Service in aggregate for the entire lease period of the Individual Agreements to be entered into during the Effective Period; and (ii) outstanding balances of all existing outstanding finance leases
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company”	International Alliance Financial Leasing Co., Ltd. (国际友联融资租赁有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange (Stock code: 1563)
“Conditions Precedent”	the conditions precedent of the Finance Leasing Framework Agreement as set out in the paragraph headed “Letter from the Board — FINANCE LEASING FRAMEWORK AGREEMENT — Duration” in this circular
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Effective Period”	three (3) years from 1 January 2023, subject to the fulfilment or waiver (if applicable) of the Conditions Precedent
“EGM”	the extraordinary general meeting of the Company to be convened on 6 January 2023 for approving, among other things, the Finance Leasing Framework Agreement, the transactions contemplated thereunder and the Annual Caps

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## DEFINITIONS

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“Existing Finance Leasing Framework Agreement”	the existing finance leasing and framework agreement entered into between the Group and Nanshan Group on 20 September 2019
“Finance Leasing Framework Agreement”	the Initial Finance Leasing Framework Agreement, which was supplemented by the Supplemental Finance Leasing Framework Agreement
“Finance Leasing Service”	including but not limited to the sale-leaseback service and direct finance leasing service to be provided by the Group to Nanshan Group in relation to the Leased Assets in accordance with the Finance Leasing Framework Agreement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standards
“Independent Board Committee”	the independent committee of the Board, comprising the independent non-executive Directors, Mr. Liu Changxiang, Mr. Liu Xuewei, Mr. Jiao Jian and Mr. Shek Lai Him Abraham, established for the purpose of making recommendations to the Independent Shareholders in respect of the Finance Leasing Framework Agreement, the transactions contemplated thereunder and the Annual Caps
“Independent Shareholders”	the Shareholders other than Union Capital and its associate who are not required to abstain from voting on resolutions approving the Finance Leasing Framework Agreement, the transactions contemplated thereunder and the Annual Caps
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“Individual Agreement(s)”	separate individual agreement(s) for each Finance Leasing Service to be entered into between Nanshan Group and its relevant members of Nanshan Group pursuant to the Finance Leasing Framework Agreement
“Initial Finance Leasing Framework Agreement”	the finance leasing framework agreement entered into between the Group and the Nanshan Group on 4 November 2022

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## DEFINITIONS

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“Interim Report”	the interim report of the Company for the six months ended 30 June 2022 published on 15 September 2022
“Latest Practicable Date”	14 December 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Leased Asset(s)”	the assets contemplated to be leased by the Group pursuant to Individual Agreements, including healthcare equipment, engineering vehicles or equipment, equipment used in power stations as well as carriers such as aircraft and vessels for transport of goods and/or passengers
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Longkou Nanshan”	Longkou Nanshan (new) Investment Development Co., Ltd.* (龍口新南山投資發展有限公司), a company established in the PRC with limited liability
“Longkou Zhimin”	Longkou Cheer Manor Education Consulting Service Co., Ltd.* (龍口智民教育諮詢服務有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules
“Nanshan Development”	Shandong Nanshan Construction Development Co., Ltd.* (山東南山建設發展股份有限公司), a company established in the PRC with limited liability
“Nanshan Group”	Nanshan Group Co., Ltd.* (南山集團有限公司), a company established in the PRC with limited liability, which is owned as to 51% by the village member committee of Nanshan Village and 49% by Mr. Song Jianbo, together with its direct and indirect subsidiaries; and “Nanshan Group companies” should be construed accordingly
“Nanshan Interest Rate”	the expected final effective interest rate under the Individual Agreements to be offered to Nanshan Group after negotiations with the latter

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## DEFINITIONS

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“Nanshan Leasing”	Nanshan Financial Leasing (Tianjin) Co., Ltd.* (南山融資租賃(天津)有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Nanshan University”	Yantai Nanshan University* (煙台南山學院), located in Longkou City, Shandong Province, the PRC (中國山東省龍口市), a private school registered and approved on 17 October 2000 as a private non-enterprise unit under the laws of the PRC, and its subordinate entities and units from time to time
“Nanshan Village”	Nanshan Village, Dongjiang Street, Longkou City, Shandong Province, PRC (龍口市東江街道南山村)
“PBOC”	the People’s Bank of China
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, the Macao Special Administrative Region of the People’s Republic of China and Taiwan
“RMB” or “Renminbi”	the lawful currency of the PRC
“SFC”	the Securities and Futures Commission
“SFO”	Securities and Futures Ordinance (Chapter 571) of the Laws of Hong Kong
“Shareholder(s)”	the shareholder(s) of the Company
“Sommerley” or “Independent Financial Adviser”	Sommerley Capital Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Finance Leasing Framework Agreement, the transactions contemplated thereunder and the Annual Caps
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Supplemental Finance Leasing Framework Agreement”	the supplemental agreement to the Initial Finance Leasing Framework Agreement entered into between the Group and Nanshan Group on 14 December 2022

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## DEFINITIONS

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“Union Capital”	Union Capital Pte. Ltd., a company incorporated in Singapore, a Controlling Shareholder of the Company and is wholly owned by Ms. Sui Yongqing (隋永清). Ms. Sui Yongqing is the spouse of Mr. Song Jianbo (宋建波), who is interested in 49% of the equity interest in Nanshan Group, and is the legal representative, chairman and general manager of Nanshan Group
“%”	per cent.

*In this circular, amount in HK\$ is converted into RMB on the basis of HK\$1.00 to RMB0.909. The exchange rate has been used, where applicable, for the purposes of illustration only and do not constitute a representation that any amounts in HK\$ or RMB were or may have been exchanged at this or any other rates or at all.*

*In this circular, the English names of the PRC entities or enterprises are translations of their Chinese names. In the event of any inconsistency, the Chinese names shall prevail.*



**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)**

*Executive Directors:*

Mr. LI Luqiang (*Chief executive officer*)  
Mr. LIU Zhenjiang  
Mr. LUO Zhenming  
Mr. QIAO Renjie

*Registered office:*

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

*Non-executive Director:*

Mr. JIAO Jianbin

*Principal place of business in Hong Kong :*

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

*Independent non-executive Directors:*

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

19 December 2022

*To the Shareholders,*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTION  
AND MAJOR TRANSACTION —  
FINANCE LEASING FRAMEWORK AGREEMENT  
FOR 2023 TO 2025**

**INTRODUCTION**

References are made to the announcement of the Company dated 4 November 2022 in relation to the Initial Finance Leasing Framework Agreement and the announcement of the Company dated 14 December 2022 in relation to, among others, the Supplemental Finance Leasing Framework Agreement.

The purpose of this circular is, among other things, to provide you with (i) further details of the Finance Leasing Framework Agreement, the transactions contemplated thereunder and the Annual Caps, (ii) a letter from the Independent Board Committee containing its advice and recommendation to the Independent Shareholders in respect of



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## LETTER FROM THE BOARD

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the Finance Leasing Framework Agreement, the transactions contemplated thereunder and the Annual Caps; and (iii) a letter from Somerley to the Independent Board Committee containing its advice in respect of the Finance Leasing Framework Agreement, the transactions contemplated thereunder and the Annual Caps.

### **FINANCE LEASING FRAMEWORK AGREEMENT**

The principal terms of the Finance Leasing Framework Agreement are set out as follows:

#### **Date**

4 November 2022 for the Initial Finance Leasing Framework Agreement (which is supplemented by the Supplemental Finance Leasing Framework Agreement dated 14 December 2022)

#### **Parties**

- (1) the Company (for itself and its direct and indirect subsidiaries); and
- (2) Nanshan Group Co., Ltd.\* (南山集團有限公司) (for itself and its direct and indirect subsidiaries)

#### **Subject of the Transaction**

The Company will provide Finance Leasing Service in relation to the Leased Assets by way of, including but not limited to, sale-leaseback service and direct finance leasing service:

- (1) under sale-leaseback service, the Group will purchase the Leased Assets from Nanshan Group, and then the Group will lease such Leased Assets back to Nanshan Group for an agreed term and will receive the rental fees on a periodic basis and the refundable security deposit (if applicable);
- (2) under the direct finance leasing service, the Group will purchase the Leased Assets from the relevant supplier upon the instructions of Nanshan Group, and then the Group will lease such Leased Assets to Nanshan Group for an agreed term and will receive the rental fees on a periodic basis and the refundable security deposit (if applicable); and
- (3) other forms of finance leasing arrangements recognised under the PRC law and the laws applicable to the Individual Agreements.

The rental fees to be received by the Group for the leasing of the Leased Assets to Nanshan Group represent the principal amounts and interest income.

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## LETTER FROM THE BOARD

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### **Duration**

The Finance Leasing Framework Agreement shall be effective for three (3) years from 1 January 2023, subject to the Independent Shareholders' approval of the Finance Leasing Framework Agreement at the EGM.

As at the date of this circular, the effectiveness of the Finance Leasing Framework Agreement is conditional upon the Independent Shareholders' approval.

### **Separate Individual Agreements**

With respect to the provision of Finance Leasing Service, the Group and the relevant Nanshan Group companies will enter into separate Individual Agreements pursuant to the Finance Leasing Framework Agreement and the transactions contemplated thereunder shall be conducted on normal commercial terms or better and major terms and conditions contemplated thereunder shall be no less favourable to the Group than the same offered to Independent Third Parties for comparable finance leasing service.

### **Contract Period**

The Board has assessed that (i) the Leased Assets generally have a longer useful life in the range of approximately five (5) to twenty (20) years; (ii) it is the norm of the relevant industries to which the Leased Assets belong to enter into the relevant Individual Agreements for a term of more than three (3) years; (iii) the Individual Agreements for the Leased Assets, in particular the Leased Assets involving carriers for transport of goods and/or passengers, typically involve a relatively larger financing amount and thus a relatively longer repayment term of approximately eight (8) years. In light of the above, the contract periods of the Individual Agreements with respect to Finance Leasing Service are expected to range from three (3) to eight (8) years, depending on the type of Leased Assets involved, and the Board is of the view that it is in normal business practice to enter into such longer term of Individual Agreements to minimise the risk of potential disruption to our Group's business operations.

The Individual Agreements may have contract periods longer than the Effective Period. The Individual Agreements duly executed shall remain to have full force and effect for their respective contract periods even if the Finance Leasing Framework Agreement is expired or terminated and is not renewed. The Company will closely monitor the effectiveness and validity of the Finance Leasing Framework Agreement and the Individual Agreements, and shall comply with the relevant requirements in accordance with the Listing Rules as and when appropriate. For the avoidance of doubt, the Finance Leasing Framework Agreement will not be renewed simply for the purpose of covering the entire period of the relevant Finance Leasing Service.

The Annual Caps will cover the aggregate transaction amounts (comprised of principal amounts and expected interest income) for the entire lease period of the Individual Agreements entered into or to be entered into during the Effective Period. In the event that

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## LETTER FROM THE BOARD

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the Company enters into new Individual Agreements with Nanshan Group after the expiry of the Effective Period, the Company will set new Annual Caps and comply with the relevant Listing Rules.

### **Interests and Refundable Security Deposit**

The interest rate and refundable security deposit to be agreed for the Finance Leasing Service shall be fair and reasonable and on normal commercial terms or better. The refundable security deposit may be required based on the size of the finance lease, lessee's credit history and financial conditions. The Company normally requests from the lessee approximately 1% to 5% of the investment amount of the relevant Leased Assets as the refundable security deposit, subject to the parties' negotiations. The refundable security deposit is non-interest bearing and refundable to Nanshan Group upon the expiry of the relevant Individual Agreement.

In particular, when determining and arriving at the Nanshan Interest Rate, the Group shall make reference to the following non-exhaustive factors:

- (1) the benchmark lending rates published by PBOC, which is a representative indicator of the applicable risk-free interest rates given the economic and market condition in the PRC at the material time. The Nanshan Interest Rate shall be higher than the PBOC benchmark lending rates in order for the Company to reasonably profit from the provision of the Finance Leasing Service;
- (2) the risk premium of Nanshan Group contemplated within the range approximately from 1% to 4%, which is dependent on the Company's evaluation of the risk factors of Nanshan Group, including the financial conditions, credit history, size of finance lease, industry, scale of business and outlook of the Nanshan Group. In particular, as mentioned above, Nanshan Group companies are a reputed conglomerate with substantial business operations in the PRC. It has excellent credit history and there has been no incident of default of interest payment to the Company. Also, the Group will consider the source of funds available for repayment, including their profitability, equity position and the cash flow condition, and the estimated value of the Leased Asset when they are being sold in secondary markets to cover the outstanding exposure. The Group will make reference to other financing projects between the Group and other Independent Third Party customers and the risk premium will be compared to those of at least two (2) Independent Third Party customers. For reference, since the risk premiums of the Group's Independent Third Party customers during the effective period of the Existing Finance Leasing Framework Agreement have not been more than 4%, therefore the range of 1% to 4% of Nanshan Group is in the comparable range with those of the Independent Third Parties;

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## LETTER FROM THE BOARD

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- (3) the secured lending rate for the borrowings granted to Nanshan Group by financial institutions, which is a piece of useful information for the Directors to negotiate a competitive Nanshan Interest Rate. The Nanshan Interest Rate shall not be lower than such secured lending rate in order for the Company to ensure that the former is not undervalued;
- (4) the funding costs (i.e. the costs of borrowing of the Group) incurred by the Group at the time of entering into of the relevant Individual Agreement. The Nanshan Interest Rate shall be higher than the funding costs in order to ensure that the Company will not incur loss out of the provision of the Finance Lease Service and such funding costs will be covered; and/or
- (5) the quotations (which will be obtained by the finance department of the Company every time before entering into the Individual Agreements) and/or contracts for similar finance leasing services offered by the Company to at least two (2) Independent Third Party customers, which act as a reference to prevailing market rate, so as to ensure that the Nanshan Interest Rate of the Finance Leasing Service provided by the Company to Nanshan Group shall not be lower than the average effective interest rates offered to its other Independent Third Party customers at the prevailing time and that it is no less favourable than to Independent Third Parties.

The Directors are of the view that the Nanshan Interest Rate so determined based on the above will be on normal commercial terms and fair and reasonable, and such determination basis is in the interests of the Company and the Shareholders as a whole.

In addition, the Company will also consider the above non-exhaustive factors to ensure that the overall terms and conditions for providing the Finance Leasing Service, including the Nanshan Interest Rate as well as payment conditions and other material terms, are no less favourable to the Group than the same offered by the Group to the Independent Third Parties for comparable finance leasing service.

### **Leased Assets**

Under both sale-leaseback service and direct finance leasing service, the ownership of the Leased Assets will be vested in the Group throughout the lease period. Generally speaking, upon expiry of the lease period, the ownership of the Leased Assets will be vested in Nanshan Group.

As long as the type of proposed Leased Asset falls under the category set out above, the Group would have the discretion to decide whether the proposed Leased Asset is acceptable. When considering whether the proposed Leased Asset is acceptable, the Group would take into account the proposed terms of the Finance Leasing Service as a whole. The key procedures and mechanisms in making such decisions are set out in the section below headed "INTERNAL CONTROL MEASURES AND RISK MANAGEMENT".

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**LETTER FROM THE BOARD**

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**ANNUAL CAPS AND BASIS OF DETERMINATION**

**Historical Amount**

The annual caps (comprised of the principal amounts and expected interest income from provision of Finance Leasing Service) in aggregate under the Existing Finance Leasing Framework Agreement for each of the years ended/ending 31 December 2019, 2020, 2021 and 2022 are as follows:

	<b>For the year ended 31 December 2019 (RMB'000)</b>	<b>For the year ended 31 December 2020 (RMB'000)</b>	<b>For the year ended 31 December 2021 (RMB'000)</b>	<b>For the year ending 31 December 2022 (RMB'000)</b>
Principal	300,000	700,000	700,000	800,000
Interest	81,000	155,000	155,000	177,000
Total	<u>381,000</u>	<u>855,000</u>	<u>855,000</u>	<u>977,000</u>

The actual aggregate maximum transaction amounts incurred by the Nanshan Group to the Group under the Existing Finance Leasing Framework Agreement for the years ended 31 December 2019, 2020 and 2021 and the ten months ended 31 October 2022 are as follows:

	<b>For the year ended 31 December 2019 (RMB'000)</b>	<b>For the year ended 31 December 2020 (RMB'000)</b>	<b>For the year ended 31 December 2021 (RMB'000)</b>	<b>For the ten months ended 31 October 2022 (RMB'000)</b>
Principal amounts	274,500	736,100	668,696	770,000
Interest income	91,566	97,960	106,008	173,513
Total	<u>366,066</u>	<u>834,060</u>	<u>774,704</u>	<u>943,513</u>

As such, the utilization rates of the annual caps were approximately 72.4%, 97.6% and 90.6% for each of the years ended 31 December 2019, 2020 and 2021, respectively. As at 31 October 2022, the utilization rate for the year ending 31 December 2022 was approximately 96.6%. The actual amount of principal and interest incomes are reconciled to the Company's financial reports since (i) both were recorded under finance lease receivables in the year in which the relevant finance lease was entered into; (ii) the interest income will be recognised by the amortisation of the finance lease receivables under each finance lease throughout the entire duration of each of the finance lease (ranging from 3 to 8 years) and allocated as revenue to the relevant accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

## LETTER FROM THE BOARD

The historical outstanding amounts of the refundable security deposit from Nanshan Group retained by the Group as at 31 December 2019, 2020 and 2021 and 31 October 2022 were approximately RMB2.5 million, RMB40.8 million, RMB66.1 million and RMB102.7 million, respectively.

The table below sets out the major terms of the outstanding finance leases with Nanshan Group as at 31 October 2022:

No.	Commencement Year	Principal amount (RMB'000)	Nature of assets	Asset value as at the date of the relevant individual agreement under the Existing Finance Leasing Framework (RMB '000)	Outstanding value or balance of the finance lease (RMB'000)	Duration (year)	Interest Rates (%)	Refundable Security Deposits received (RMB'000)
1.	2019	22,000	Construction equipment	22,960	15,141	5	12.55	1,100
2.	2019	24,500	Construction equipment	35,690	4,560	3	6.5	0
3.	2019	150,000	Medical equipment	167,282	101,612	5	11.88	1,500
4.	2020	70,000	Construction equipment	70,648	13,462	3	8.5	700
5.	2020	70,000	Construction equipment	70,731	7,693	3	8.5	700
6.	2020	10,000	Construction equipment	10,838	1,923	3	8.5	100
7.	2020	20,000	Construction equipment	22,188	3,846	3	8.5	200
8.	2020	30,000	Construction equipment	39,044	11,539	3	8.5	300
9.	2020	100,000	Construction equipment	118,664	19,232	3	8.5	1,000
10.	2020	26,000	Construction equipment	28,611	5,000	3	8.5	260
11.	2020	200,000	Construction equipment	222,073	40,644	3	6.75	20,000
12.	2020	100,000	Construction equipment	117,855	27,826	3	6.75	8,500
13.	2020	100,000	Construction equipment	103,482	27,826	3	6.75	8,500
14.	2020	5,000	Construction equipment	5,808	1,855	3	6.75	425
15.	2020	82,000	Construction equipment	97,154	30,423	3	6.75	6,970
16.	2020	68,000	Construction equipment	74,137	31,536	3	6.75	5,780
17.	2021	32,000	Medical equipment	33,384	29,748	5	5.9	3,200
18.	2022	45,000	Construction equipment	49,153	47,063	5	5.9	4,500
19.	2022	55,000	Construction equipment	58,782	57,521	5	5.9	5,500
20.	2022	40,000	Construction equipment	41,078	41,834	5	6.8	2,000
21.	2022	60,000	Construction equipment	63,814	60,589	5	6.8	3,000
22.	2022	60,000	Construction equipment	68,635	64,153	5	6.8	3,000
23.	2022	60,000	Construction equipment	67,336	64,153	3	6.8	3,000
24.	2022	55,000	Construction equipment	59,935	58,807	5	6.8	2,750
25.	2022	53,000	Construction equipment	56,179	56,668	5	6.8	2,650
26.	2022	52,000	Construction equipment	53,940	55,599	5	6.8	2,600
27.	2022	56,000	Construction equipment	61,994	59,876	5	6.8	2,800
28.	2022	54,000	Construction equipment	61,862	57,737	5	6.8	2,700
29.	2022	50,000	Construction equipment	55,600	53,460	5	6.8	2,500
30.	2022	30,000	Construction equipment	38,464	32,076	5	6.8	1,500
31.	2022	100,000	Construction equipment	122,567	102,109	5	6.8	5,000

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## LETTER FROM THE BOARD

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### Annual Caps

The table below sets out the Annual Caps (comprised of (a) the principal amounts and the expected interest income for new Individual Agreements to be entered during the relevant year (collectively, the “**New Transaction Amount**”); and (b) the outstanding balances of all existing outstanding finance leases (excluding the New Transaction Amount) (the “**Outstanding Balance**”)) for the Effective Period under the Finance Leasing Framework Agreement. The refundable security deposit (where applicable) is not included as (i) it is refundable upon expiry of the relevant Individual Agreement; (ii) upon receipt of the deposit in cash, it will be accounted for as other payables and it does not form part of the transaction amounts; and (iii) it is a separate security arrangement in favour of the Company instead of otherwise.

	<b>For the year ending 31 December 2023 (RMB'000)</b>	<b>For the year ending 31 December 2024 (RMB'000)</b>	<b>For the year ending 31 December 2025 (RMB'000)</b>
<i>New Individual Agreements</i>			
Principal amounts (taking into account maximum amounts of leased assets to be acquired)	840,000	882,000	926,000
Expected interest income	203,000	213,000	224,000
<i>Existing outstanding finance leases</i>			
Outstanding balances of existing outstanding finance leases (excluding the New Transaction Amount)	1,092,178	1,342,909	1,499,854
Total (maximum aggregate balance of all outstanding finance leases)	<u>2,135,178</u>	<u>2,437,909</u>	<u>2,649,854</u>

The relevant funds under the Finance Leasing Framework Agreement shall only be applied for the actual needs for operation of Nanshan Group.

The above Annual Cap(s) for the Finance Leasing Framework Agreement are determined principally by reference to the following factors:

- (1) the principal amounts expected to be provided to and utilised by Nanshan Group pursuant to the Individual Agreement to be entered into during the Effective Period, together with the Nanshan Interest Rate. As a result of the negotiation set out in sub-paragraph (2) below, the aggregate principal amount of the prospective finance lease projects between the Group and Nanshan Group is expected to be not less than RMB700 million for the year ending 31 December 2023;

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## LETTER FROM THE BOARD

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- (2) the development plan of Nanshan Group and the demand for Finance Leasing Service. As at the Latest Practicable Date, the Group has been in negotiation with Nanshan Group in respect of five (5) potential finance lease projects in the areas of petroleum refinery and hydraulic engineering;
- (3) the nature, estimated value and expected lifespan of the Leased Assets;
- (4) the ability of the Group to provide Finance Leasing Service to Nanshan Group at the material time. As at 30 June 2022, the gearing ratio, calculated based on dividing the total indebtedness by total equity and indebtedness as at the end of the six months ended 30 June 2022, was approximately 26.2% (30 June 2021: approximately 44.3%). The relatively lower gearing ratio and improved capital structure reflected the Group's ability to support the proposed Annual Caps as they are at similar level compared to the annual cap for the year ending 31 December 2022. In other words, the gearing ratio demonstrated the Group's ability to extend new finance leases to Nanshan Group under the proposed Annual Caps in addition to the outstanding finance leases, since the Group has more flexibility in obtaining new bank borrowings or other types of funding (equity or otherwise) to finance the aforesaid new finance leases;
- (5) the overall economic environment and market condition when entering into the Finance Leasing Framework Agreement. Based on the PRC National Bureau of Statistics, the GDP growth rate and the growth rate for the financial industry of the PRC for the first half year of 2022 were 2.5% and 5.5% respectively. This demonstrates a solid basis substantiating the need for the proposed Annual Caps, in line with the expected demand of Nanshan Group; and
- (6) the outstanding principal amount and interest income under outstanding finance leases expected to be received by the Group with Nanshan Group.

The management team of the Company, together with the relevant departments of the Company including the finance department, has reviewed the above factors, taken into account the effect of provision of Finance Leasing Service on the liquidity position, working capital of the Company and the repayment ability of the Company with respect to the financing from bank borrowings as a whole, before determining the Annual Caps.

Each of the Annual Caps is the aggregate sum of (i) the principal amounts for the entire lease period of finance lease expected to be provided to Nanshan Group in each respective year; (ii) the expected interest income from potential transactions with the Nanshan Group for finance lease of existing types of assets within the industries currently engaged by the Group for the respective years; and (iii) outstanding balance of all existing outstanding finance leases.



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## LETTER FROM THE BOARD

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With respect to the principal amounts of each of the Annual Caps for the Effective Period, they are primarily determined based on the annual cap for the year ending 31 December 2022, being RMB977,000,000<sup>(Note)</sup> (the “**2022 Annual Cap**”), which is comprised of RMB800,000,000 of principal amounts and RMB177,000,000 of interest income. The principal amounts of each of the Annual Caps are formulated and adjusted by a compound annual growth rate (“**CAGR**”) of approximately 5% based on the principal amounts of the 2022 Annual Cap, resulting in the principal amounts of approximately RMB840,000,000, RMB882,000,000 and RMB926,000,000 for the years ending 2023, 2024 and 2025, respectively. The CAGR of approximately 5% is adopted as the expected inflation rate during the Effective Period.

The expected interest income from finance lease transaction with Nanshan Group corresponds to the principal amounts of that particular year within the Effective Period, and is derived based on (a) the entire lease term of the respective Leased Assets; (b) the principal amounts of the relevant finance lease transaction offered or to be offered by the Group to the Nanshan Group; and (c) the Nanshan Interest Rate.

As compared with the annual caps for the Existing Finance Leasing Framework Agreement (the “**Previous Caps**”) (which corresponds to the part of the New Transaction Amount of each proposed Annual Cap), the proposed Annual Caps further take into account the Outstanding Balance of the relevant year and hence are significantly higher than the Previous Caps.

The estimated Outstanding Balance for the year of 2023 is determined based on the estimated year-end Outstanding Balance as at 31 December 2022 (pursuant to the existing payment schedule).

For the estimated Outstanding Balance for the year of 2024, it is determined based on the estimated year-end Outstanding Balance as at 31 December 2023, which is calculated by (i) adding the New Transaction Amounts for the year of 2023 to the estimated year-end Outstanding Balance as at 31 December 2022, and (ii) offset by the expected lease payment to be received by the Group in 2023 in respect of all outstanding finance leases entered into during or before the year of 2022 (based on the existing payment schedule).

For the estimated Outstanding Balance for the year of 2025, it is determined based on the estimated year-end Outstanding Balance as at 31 December 2024, which is calculated by (i) adding the New Transaction Amounts for the year of 2024 to the estimated year-end Outstanding Balance as at 31 December 2023, and (ii) offset by the expected lease payment to be received by the Group in 2024 in respect of all outstanding finance leases entered into during or before the year of 2023. The source of the said expected lease payment for 2024 will be mainly from (a) all outstanding finance leases entered into during or before the year of 2022 which will be determined based on the existing payment schedule; and (b) the new finance leases to be entered into in 2023, calculated by dividing the New Transaction Amounts for the year of 2023 by five (5) (representing the longest contract period for finance leases entered into under the Existing Finance Leasing Framework Agreement).

*Note:*

The Previous Caps for the Existing Finance Leasing Framework Agreement comprised the principal amounts and expected interest income only.

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## LETTER FROM THE BOARD

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In substantiating the basis for the Annual Caps, the Company has considered the actual aggregate maximum transaction amounts for the ten months ended 31 October 2022 which amounted to approximately RMB943.5 million, representing approximately 96.6% of the 2022 Annual Cap. Hence, the 2022 Annual Cap is considered to be an accurate estimate of the finance lease transaction amounts between the Group and Nanshan Group and hence a reliable starting point for the determination of the Annual Caps. Further, the Group has approached and discussed with Nanshan Group regarding its future development plan and has formulated and presented finance leasing draft proposals to Nanshan Group. The determination of the Annual Caps has taken into account the expected aggregate principal amounts to be provided by the Company to Nanshan Group under the proposals aforesaid.

Considering that:

- (1) the aggregate principal amounts to be granted to Nanshan Group are estimated based on arm's length commercial discussions and negotiations the Group had with Nanshan Group with respect to the provision of Finance Leasing Service;
- (2) the Company is informed by the Nanshan Group that they are in the process of exploring several projects and other strategic business development involving the Leased Assets, particularly in the fields of petroleum refinery and hydraulic engineering, and is expected to request financing through provision of Finance Leasing Service by the Company;
- (3) the Company has already considered its liquidity position and repayment ability with respect to external borrowings when contemplating the Annual Caps; and
- (4) it is expected that there may be an overall trend of slowing down in terms of the economic growth in the PRC and hence the Company is minded to only adjust to a minimal extent the Annual Caps based on the 2022 Annual Cap with a CAGR of approximately 5% primarily for inflation adjustment,

the Board is of the view that the Annual Caps so determined are fair and reasonable and in the interests of the Company and its shareholders as a whole.

For the avoidance of doubt, the drawdown or utilisation period for each Individual Agreement will not be limited by the Effective Period, provided that the Company shall have the right to approve each drawdown in terms of its use and fund flow, and the drawdown and transaction contemplated thereunder will not cause the aggregated annual transaction amounts under all Individual Agreements to exceed the Annual Caps.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCE LEASING FRAMEWORK AGREEMENT

The Company is an investment holding company. The Group is principally engaged in the finance leasing and advisory services to customers mainly in the healthcare, aviation and public infrastructure industries.

Nanshan Group Co., Ltd.\* (南山集團有限公司) is a company established in the PRC with limited liability. Nanshan Group is a conglomerate with principal businesses encompassing aluminium, textile apparel, finance, aviation, real estate, healthcare, education and tourism.

The Company strategically focuses its business on industries that it believes to have sustainable growth potential. The Group had established previous business relationships with Nanshan Group which have substantial assets with reliable repayment capability and is a trusted business partner. The provision of Finance Leasing Service by the Group to Nanshan Group under the Finance Leasing Framework Agreement is in the ordinary and usual course of business of the Group while the Group will in return receive a stable revenue and cashflow stream during the Effective Period.

For the years ending 31 December 2023, 2024 and 2025, the maximum amounts of the principal for the transactions contemplated under the Finance Leasing Framework Agreement expect to be approximately RMB840.0 million, RMB882.0 million and RMB926.0 million respectively, representing approximately 34.5%, 36.2% and 38.0% of the total assets of the Company as at 31 December 2021.

Considering that (1) Nanshan Group is a trusted business partner of the Group since the establishment of Nanshan Leasing in 2014; (2) Nanshan Group companies are a conglomerate with substantial business operations and positive reputation in the PRC; (3) the excellent credit history with Nanshan Group that there has been no single incident of default payment of interest to the Company for the provision of finance leasing service. The Directors consider that the risk of Nanshan Group ceasing to receive the Company's provision of Finance Leasing Service or default in payment of the relevant interest is low; and (4) the Nanshan Group shall make interest payment to the Group during the Effective Period, the Company is of the view that the risk exposure associated with the maximum amounts of the principal for the transactions contemplated under the Finance Leasing Framework Agreement is justified and acceptable to the Group.

The transactions contemplated under the Finance Leasing Framework Agreement will be funded by internal resources and bank borrowings of the Group.

The Directors consider that the terms under the Finance Leasing Framework Agreement are fair and reasonable, and the transactions contemplated under the Finance Leasing Framework Agreement are on normal commercial terms or better, in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL MEASURES AND RISK MANAGEMENT

The Group has adopted the following internal control and risk management measures and policies in relation to its finance leasing businesses to manage the risk exposures and to maintain the fairness of the terms and price of the transactions which shall be applied to the transactions contemplated under the Finance Leasing Framework Agreement and outstanding transactions under the Existing Finance Leasing Framework Agreement (as applicable):

#### 1. Five-category classification

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 controls risks through measures including due diligence on customers, independent information review and a multi-level approval process.

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

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

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

**Special Mention.** Even though the lessee has been able to pay the lease payments in a timely manner, there are some factors that could adversely affect its ability to pay, such as 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.

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## LETTER FROM THE BOARD

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**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.

The Group assesses its provisions based on the relevant requirements of IFRS and its internal provisioning 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.

### **2. Determination of principal, interest rate and refundable security deposit**

In general, the principal amount to be adopted under individual finance leasing agreements shall be, in the case of sale-leaseback service, not higher than the net book value of the leased assets and, in the case of direct finance leasing service, the market price of the leased assets. The source of such market price is based on the amount stated on the invoices for the purchase of such assets and an agreed percentage of such purchase price.

For sale-leaseback service under the Finance Leasing Service, the purchase price shall be reasonable and shall not be higher than the net book value of the Leased Assets. Nanshan Group may also be required to pay a refundable security deposit, which typically ranges from approximately 1% to 5% of the negotiated purchase price at the time of purchase. The amount of the refundable security deposit payable by Nanshan Group is comparable to that payable by Independent Third Party customers to the Group.

For direct finance leasing service under the Finance Leasing Service, the Group typically pays 60% to 90% of the purchase prices directly to the equipment supplier who is Independent Third Party and the Nanshan Group will be responsible for the balance. Nanshan Group may also be required to pay the Group a refundable security deposit at the time of the purchase, which typically ranges from approximately 1% to

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## LETTER FROM THE BOARD

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5% of the purchase price. The amount of the refundable security deposit payable by Nanshan Group is comparable to that payable by Independent Third Party customers to the Group.

The interest rate and the refundable security deposit of the Finance Leasing Service under any Individual Agreement shall be fair and reasonable and on normal commercial terms or better. In particular, when determining the effective interest rate, the Group shall make reference to the following factors: (1) the benchmark RMB lending rate published by PBOC from time to time; (2) the risk premium of Nanshan Group; (3) the secured lending rate granted to Nanshan Group by financial institutions; (4) the funding cost of the Company; and/or (5) the quotations and/or contract made by the Company for similar finance leasing service offered to at least two (2) Independent Third Party customers.

### **3. Monitoring continuing connected transactions**

The risk management team and relevant senior management of the Company are responsible for monitoring connected transactions of the Company, including the transactions under the Finance Leasing Framework Agreement and the outstanding transactions under the Existing Finance Leasing Framework Agreement.

The risk management team and relevant senior management of the Company will review the actual amount utilised in respect of the Annual Caps every three (3) months. The Board is of the view that the frequency of reviewing every three (3) months is sufficient primarily because: (1) it usually takes one to several months to commence a finance leasing project from initial project negotiations, conducting relevant due diligence and internal review to approval; and (2) generally speaking, the Company monthly or quarterly receives the rental fees under the relevant finance leasing agreements from the lessees. Considering the above as well as the overall operation efficiency of the Company, the Board is of the view that the frequency of three (3) months is reasonable.

The asset management department of the Company will review and evaluate the transaction volume conducted under the Company's finance leasing projects, with a focus on the transactions contemplated under the Finance Leasing Framework Agreement. In the event that there is a comparatively rapid increasing trend of the relevant transaction amount, or it is observed that the total amount is approaching the relevant Annual Cap, the asset management department will promptly inform the management of the Company when 50% of the Annual Caps is utilised. The asset management department will promptly inform again when 75% of the Annual Caps is utilised, and will monitor the utilisation rate of the relevant Annual Cap on a daily basis. Further, when 90% of the Annual Caps is utilised, the asset management department will promptly inform the management again and the Directors will immediately suspend the provision of Finance Leasing Service to Nanshan Group, such that either to ensure that the transaction amounts will not exceed the relevant Annual Cap, or the Company will take applicable steps in order to comply with the relevant requirement of the Listing Rules.

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## LETTER FROM THE BOARD

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In respect of the outstanding finance leases granted under the Existing Finance Leasing Framework Agreement and the new finance leases to be granted under the Finance Leasing Framework Agreement, the asset management department, risk management department and business department of the Company will conduct continuous review in respect of the payment schedule, records and breakdowns every single month in respect of each outstanding finance lease transaction, thereby allowing the Group to manage and monitor the risk exposures from such transactions, identify potential default and expected days of receipt of payment and formulate remedial actions if necessary.

The Company has established integrated internal control and risk management systems to identify various risks, formulate and improve its internal control policies, and implement, monitor and improve various responsive risk control measures throughout the Company's business operations. In particular, being part of the internal control procedures, the Company will identify whether the proposed finance leasing projects involve Nanshan Group. If Nanshan Group is involved, the business department and project vetting committee of the Company, during the project initiation stage, will compare the major terms of the finance leasing projects with the terms and conditions of the Finance Leasing Framework Agreement, in order to make sure that the major terms of such projects during the project initiation stage are consistent with the Finance Leasing Framework Agreement. Further, the Company will, in addition to comply with the established procedures with respect to project evaluation and approval, make reference to the remaining amounts under the relevant Annual Caps before project approval to minimise the risks that the proposed transactions will exceed the relevant Annual Caps.

Under the internal control system of the Company, the Company will make sure that the proposed terms and conditions of the relevant Individual Agreements are consistent with the Framework Agreement, and shall not be less favourable to the Company than the finance leasing service of similar nature if provided to the Independent Third Parties. In particular, with respect to the finance leasing projects with Nanshan Group, when the risk management department and legal department of the Company are respectively preparing the risk assessment opinion and legal opinion after project initiation and due diligence stages, the two departments will (1) refer to and focus on the Finance Leasing Framework Agreement; (2) opine on whether the terms and conditions under Individual Agreements to be entered into under such finance leasing projects are consistent with those under the Finance Leasing Framework Agreement; and (3) submit their respective opinions to the project approval committee of the Company for its further assessment and approval. Under the risk management system of the Company, the asset management department of the Company will closely monitor the transaction volume and promptly inform the management of the Company as disclosed above in order to reduce the risks that the Annual Caps will be exceeded.

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## LETTER FROM THE BOARD

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The independent non-executive Directors will conduct an annual review of the implementation of the continuing connected transactions in respect of the Individual Agreements. The auditors of the Company will also annually review the transactions contemplated under the Finance Leasing Framework Agreement in accordance with Rule 14A.56 of the Listing Rules.

Therefore, the Company is of the view that the Group has adequate mechanism, internal control procedures and supervision measures to ensure the continuing connected transactions to be complied with and strictly in accordance with the terms of the Finance Leasing Framework Agreement, the Existing Finance Leasing Framework Agreement and the Listing Rules and that the risks of all the finance leases granted to Nanshan Group have been and will continue to be managed and monitored adequately.

### **FINANCIAL EFFECT OF THE FINANCE LEASING SERVICE**

#### **Earnings**

From the date on which the Individual Agreement becomes effective, the Group will be entitled to recognise interest income from Nanshan Group, which will provide additional income contribution to the Group.

#### **Assets, liabilities and gearing**

When the Group commences the provision of the Finance Leasing Service contemplated under the Individual Agreement, the Directors consider that there will be no significant immediate change to the Group's net asset value and the total assets will increase pursuant to the value of new finance lease receivables assets acquired under each finance lease while offset by the payment to Nanshan Group or the relevant suppliers.

Since the Group will be financing the Finance Leasing Service via its internal resources and bank borrowings, the Group's gearing and total liabilities may increase by an extent corresponding to the amount of new bank borrowings to be obtained.

#### **Liquidity**

The Group intended to finance the Finance Leasing Service via its internal resources and bank borrowings. It is expected that the borrowings of the Group will increase and the cash and cash equivalents of the same will decrease. Due to the nature of the business of the Company and its existing business model, the Company has obtained and will obtain necessary financing from the financial institutions to meet its operation needs.



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## LETTER FROM THE BOARD

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### INFORMATION OF THE GROUP

The Company is an investment holding company. The Group is principally engaged in (i) the finance leasing and the provision of finance leasing and advisory services to customers mainly in the healthcare, aviation and public infrastructure industries in the PRC, and (ii) provision of private higher education in the PRC.

### INFORMATION OF THE NANSHAN GROUP

Nanshan Group Co., Ltd.\* (南山集團有限公司) is a company established in the PRC with limited liability. Nanshan Group is a conglomerate with principal businesses encompassing aluminum, textile apparel, petrochemical, finance, aviation, real estate, healthcare, education and tourism. As at the date of this circular, Nanshan Group Co., Ltd.\* (南山集團有限公司) is owned as to 51% by the village member committee of Nanshan Village and 49% by Mr. Song Jianbo.

### LISTING RULES IMPLICATIONS

The transactions contemplated under the Finance Leasing Framework Agreement will constitute transactions under Chapter 14, in particular Rule 14.04(1)(c) (i.e. entering into or terminating finance leases) of the Listing Rules. Pursuant to the Listing Rules, the provision of sale-leaseback service by the Group under the Finance Leasing Framework Agreement involving the transfer of legal ownership of an asset and leasing the asset back to Nanshan Group constitutes an acquisition of asset under Rule 14.04(1)(a) of the Listing Rules and a provision of financial assistance under Rule 14.04(1)(e) of the Listing Rules. As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) calculated in accordance with the Listing Rules in respect of the transactions contemplated under Finance Leasing Framework Agreement exceed 25%, the transactions contemplated thereunder constitute a major transaction for the Company, subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Given that the Board considers the relevant terms in respect of the refundable security deposit (to be provided by Nanshan Group) under the Finance Leasing Framework Agreement are on normal commercial terms or better, and that since the security deposit is a security arrangement in favour of the Group to secure the payment obligations of the Nanshan Group under the Individual Agreements and the Group does not have to provide any security under the Finance Leasing Framework Agreement or the Individual Agreements, the provision of such deposit is not secured by any assets of any members of the Group, the provision of the refundable security deposit is fully exempted from reporting, announcement and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

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## LETTER FROM THE BOARD

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As at the date of this circular, Nanshan Group Co., Ltd.\* (南山集團有限公司) is owned as to 51% by the village member committee of Nanshan Village and 49% by Mr. Song Jianbo, also Mr. Song Jianbo is its legal representative, chairman and general manager. Given that Mr. Song Jianbo is the spouse of Ms. Sui Yongqing, one of the Controlling Shareholders of the Company, Nanshan Group is an associate of Ms. Sui Yongqing and is therefore a connected person of the Company under Rule 14A.12 of the Listing Rules.

Accordingly, the Finance Leasing Framework Agreement will also constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Annual Caps are more than 5%, the transactions contemplated thereunder are subject to announcement, reporting, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In addition, pursuant to Rule 14A.52 of the Listing Rules, as the term of the Individual Agreement to be entered into pursuant to the Finance Leasing Framework Agreement may exceed three (3) years, the Company has appointed Somerley as the Independent Financial Adviser to explain why the Individual Agreement requires a longer period and to confirm that it is a normal business practice for agreements of this type to be of such duration.

### CONFIRMATION OF THE BOARD

As at the Latest Practicable Date, none of the Directors has or is considered to have a material interest in the Finance Leasing Framework Agreement and the transactions contemplated thereunder. No Director has abstained from voting on the Board resolution approving the Finance Leasing Framework Agreement and the transactions contemplated thereunder.

### INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee comprised of all the independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Finance Leasing Framework Agreement, the transactions contemplated thereunder and the Annual Caps. Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### EGM

At the EGM, resolutions will be proposed by the Company to seek the Independent Shareholders' approval on the Finance Leasing Framework Agreement, the transactions contemplated thereunder and the Annual Caps. As at the Latest Practicable Date, Union Capital, which is wholly owned by Ms. Sui Yongqing, is interested in 768,475,221 Shares, representing approximately 51.23% of the total issued share capital of the Company is considered to have material interests in the transactions contemplated under the Finance Leasing Framework Agreement and, together with its associate, will abstain from voting for the proposed resolutions at the EGM. The proposed resolutions will be passed by way of ordinary resolutions and voted on by way of poll in accordance with the requirement of the Listing Rules.

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## LETTER FROM THE BOARD

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### RECOMMENDATION

The Board believes that having taken into account the principal factors and reasons as set out above, the transactions contemplated under the Finance Leasing Framework Agreement are in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole; and the terms of the transactions contemplated under the Finance Leasing Framework Agreement are fair and reasonable. Accordingly, the Board recommends the Independent Shareholders to vote in favour of the proposed resolutions in relation to the Finance Leasing Framework Agreement, the transactions contemplated thereunder and the Annual Caps at the EGM.

Your attention is drawn to the letters from the Independent Board Committee and the letter from Somerley which sets out their recommendations in respect of the Finance Leasing Framework Agreement and the transactions contemplated thereunder (including the Annual Caps) and the principal factors considered by them in arriving at their recommendations.

### ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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



**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)**

19 December 2022

*To the Independent Shareholders,*

Dear Sir or Madam,

**RENEWAL OF CONTINUING CONNECTED TRANSACTION  
AND MAJOR TRANSACTION —  
FINANCE LEASING FRAMEWORK AGREEMENT  
FOR 2023 TO 2025**

We refer to the circular dated 19 December 2022 (the “**Circular**”) issued by the Company of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to consider the terms of the Finance Leasing Framework Agreement, the transactions contemplated thereunder and the Annual Caps and to advise you as to whether, in our opinion, the transactions contemplated under the Finance Leasing Framework Agreement are in the ordinary and usual course of business of the Group and in the interest of the Company and its Shareholders as a whole; and the terms of the transactions contemplated under the Finance Leasing Framework Agreement are on normal commercial terms and are fair and reasonable, and how you should vote on the proposed resolutions to approve the Finance Leasing Framework Agreement and the transactions contemplated thereunder (including Annual Caps). Somerley has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and you in this regard.

We also wish to draw your attention to (i) the letter from the Board; (ii) the letter from Somerley; and (iii) the additional information set out in the appendices to the Circular.

Having considered the terms of the Finance Leasing Framework Agreement, the transactions contemplated thereunder and the Annual Caps, and having taken into account the opinion of Somerley and, in particular, the factors, reasons and recommendations as set out in the letter from Somerley on pages 28 to 45 of the Circular, we consider that (i) the transactions contemplated under the Finance Leasing Framework Agreement are in the Company’s ordinary and usual course of business and in the interests of the Company and

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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the Shareholders as a whole; and (ii) the terms of the transactions contemplated under the Finance Leasing Framework Agreement are on commercial terms and are fair and reasonable.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions which will be proposed at the EGM to approve the Finance Leasing Framework Agreement and the transactions contemplated thereunder (including the Annual Caps).

Yours faithfully,

For and on behalf of

**Mr. Liu Changxiang, Mr. Liu Xuwei, Mr. Jiao Jian and Mr. Shek Lai Him Abraham**

*Independent non-executive Directors*

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## LETTER FROM SOMERLEY

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*The following is the letter of advice from Somerley Capital Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



**SOMERLEY CAPITAL LIMITED**  
20th Floor  
China Building  
29 Queen's Road Central  
Hong Kong

19 December 2022

*To: the Independent Board Committee and the Independent Shareholders*

Dear Sirs,

### **RENEWAL OF CONTINUING CONNECTED TRANSACTION AND MAJOR TRANSACTION FINANCE LEASING FRAMEWORK AGREEMENT FOR 2023 TO 2025**

#### **INTRODUCTION**

We refer to our appointment as the independent financial adviser to advise the independent board committee and independent shareholders of International Alliance Financial Leasing Co., Ltd. (the “**Company**”) in relation to the transactions contemplated under the finance leasing framework agreement (the “**Transaction**”). Details of the Transaction are set out in the “Letter from the Board” (the “**Board Letter**”) contained in the circular of the Company dated 19 December 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein.

As the Existing Finance Leasing Framework Agreement will expire on 31 December 2022 and the Group and Nanshan Group intend to continue the continuing connected transactions contemplated thereunder after the said expiry, on 4 November 2022, the Company entered into the Initial Finance Leasing Framework Agreement with Nanshan Group, pursuant to which the Group agreed to provide Finance Leasing Service to Nanshan Group. On 14 December 2022, the Company entered into the Supplemental Finance Leasing Framework Agreement with Nanshan Group to amend the basis of determining the Annual Caps. The Finance Leasing Framework Agreement shall be effective for three (3) years from 1 January 2023, subject to the fulfilment or waiver (if applicable) of the Conditions Precedent.

With reference to the Board Letter, Nanshan Group is owned as to 51% by the village member committee of Nanshan Village and 49% by Mr. Song Jianbo, with Mr. Song Jianbo as its legal representative, chairman and general manager. Given that Mr. Song Jianbo is the spouse of Ms. Sui Yongqing, a Controlling Shareholder of the Company, Nanshan Group is an associate of Ms. Sui and is therefore a connected person of the Company under

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## LETTER FROM SOMERLEY

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Rule 14A.12 of the Listing Rules. The Transaction constitutes a major transaction and continuing connected transaction of the Company, and are subject to the notification, announcement, reporting, annual review, and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Liu Changxiang, Mr. Liu Xuewei, Mr. Jiao Jian and Mr. Shek Lai Him Abraham, has been established to advise the Independent Shareholders in relation to the Transaction. We, Somerley Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

During the past two years immediately preceding the Latest Practicable Date, there have been no other engagements between the Company and Somerley Capital Limited. As at the Latest Practicable Date, there were no relationships or interests between (a) Somerley Capital Limited and (b) the Group and Nanshan Group that could reasonably be regarded as a hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders with respect to the matters set out above. During the past two years immediately preceding the Latest Practicable Date, apart from normal professional fees paid or payable to us in connection with this appointment, no arrangement exists whereby we will receive any fees or benefits from the Company.

In formulating our opinion, we have relied on the information and facts supplied, and the opinions expressed, by the Directors and management of the Company (the “**Management**”) and we have assumed that the information and facts provided and opinions expressed to us are true, accurate and complete in all material aspects. We have also sought and received confirmation from the Directors that all material relevant information has been supplied to us and that no material facts have been omitted from the information supplied and opinions expressed to us. We have no reason to doubt the truth or accuracy of the information provided to us, or to believe that any material information has been omitted or withheld. We have relied on such information and consider that the information we have received is sufficient for us to reach our advice and recommendation as set out in this letter. However, we have not conducted any independent investigation into the business and affairs of the Group or Nanshan Group, nor have we carried out any independent verification of the information supplied.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinion with respect to the Transaction, we have taken into consideration the following principal factors and reasons:

#### **1. Information on the Company**

The Company is an investment holding company. The Group is principally engaged in (i) the finance leasing and the provision of finance leasing and advisory services to customers mainly in the healthcare, aviation and public infrastructure industries in the PRC, and (ii) provision of private higher education in the PRC.

## **2. Information on Nanshan Group**

Nanshan Group is a company established in the PRC with limited liability. Nanshan Group is a conglomerate with principal businesses encompassing aluminium, textile apparel, finance, aviation, real estate, healthcare, education and tourism.

## **3. Reasons for and benefits of the Transaction**

As mentioned above, one of the principal businesses of the Group is finance leasing together with the provision of finance leasing and advisory services to customers mainly in the healthcare, aviation and public infrastructure industries in the PRC.

As advised by the Management, during the ordinary and usual course of business of the Group, the Group has been providing finance leasing service relating to healthcare, aviation and public infrastructures industries to Nanshan Group companies since 2014, and there has been no single incident of default payment of interest by Nanshan Group to the Company for the provision of finance leasing service. Given the long-established business relationship and excellent credit history, the Management considered Nanshan Group to be a trusted business partner with reliable repayment capability. Having considered Our Due Diligence on Nanshan Repayment History (details of which are set out in the section headed “4. Principal terms of the Transaction” below), we do not doubt the repayment capability of Nanshan Group. The provision of Finance Leasing Service will provide the Group with a stable revenue and cashflow stream during the Effective Period.

With reference to the Company’s 2022 interim report, under the guidance as set out in 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), which was published by The China Banking and Insurance Regulatory Commission on 26 May 2020 supervising the finance leasing companies in the PRC, the Company will make prudential analysis on the market environment and focus on projects within industries which are counter-cyclical or less cyclical. Given that (i) Nanshan Group has long-established business relationship and excellent credit history; and (ii) the Finance Leasing Service mainly covers less cyclical industries such as healthcare and public infrastructures, the Transaction is in line with the Group’s business plan as set out in the 2022 interim report.

Having considered (i) that the Group have been providing finance leasing service to Nanshan Group companies since 2014; (ii) Nanshan Group is a trusted business partner of the Group with reliable repayment capability; and (iii) the Transaction is in line with Group’s business plan as set out in the 2022 interim report, we concur with the Directors that the Transaction is conducted in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.



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## LETTER FROM SOMERLEY

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### 4. Principal terms of the Transaction

Set out below are the principal terms of the Finance Leasing Framework Agreement, details of the same are set out in the Board Letter:

**Date:** 4 November 2022 for the Initial Finance Leasing Framework Agreement (which is supplemented by the Supplemental Finance Leasing Framework Agreement dated 14 December 2022)

**Parties:** The Company (for itself and its direct and indirect subsidiaries); and Nanshan Group (for itself and its direct and indirect subsidiaries)

**Subject of the Transaction:** The Company will provide Finance Leasing Service in relation to the Leased Assets by way of, including but not limited to, sale-leaseback service and direct finance leasing service:

- (1) under sale-leaseback service, the Group will purchase the Leased Assets from Nanshan Group, and then the Group will lease such Leased Assets back to Nanshan Group for an agreed term and will receive the rental fees on a periodic basis and the refundable security deposit (if applicable);
- (2) under the direct finance leasing service, the Group will purchase the Leased Assets from the relevant supplier upon the instructions of Nanshan Group, and then the Group will lease such Leased Assets to Nanshan Group for an agreed term and will receive the rental fees on a periodic basis and the refundable security deposit (if applicable); and
- (3) other forms of finance leasing arrangements recognised under the PRC law and the laws applicable to the Individual Agreements.

The rental fees to be received by the Group for the leasing of the Leased Assets to Nanshan Group represent the principal amounts and interest income.

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## LETTER FROM SOMERLEY

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**Duration:** The Finance Leasing Framework Agreement shall be effective for three (3) years from 1 January 2023, subject to the fulfilment or waiver (if applicable) of the following Conditions Precedent:

- (1) the approval of the Finance Leasing Framework Agreement by the Independent Shareholders at a general meeting of the Company;
- (2) the Company and Nanshan Group having obtained all necessary consent, approval or waivers from any government or regulatory authority, including the Stock Exchange, or third parties in connection with the execution and performance of the Finance Leasing Framework Agreement and the transactions contemplated thereunder, where required; and
- (3) all applicable requirements of the Listing Rules in respect of notifiable transactions and continuing connected transactions.

**Separate Individual Agreements:** With respect to the provision of Finance Leasing Service, the Group and the relevant Nanshan Group companies will enter into separate Individual Agreements pursuant to the Finance Leasing Framework Agreement and the transactions contemplated thereunder shall be conducted on normal commercial terms or better and major terms and conditions contemplated thereunder shall be no less favourable to the Group than the same offered to Independent Third Parties for comparable finance leasing service.

**Leased Assets:** Under both sale-leaseback service and direct finance leasing service, the ownership of the Leased Assets will be vested in the Group throughout the lease period. Generally speaking, upon expiry of the lease period, the ownership of the Leased Assets will be vested in Nanshan Group.

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## LETTER FROM SOMERLEY

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### *Contract Period*

With reference to the Board Letter, the contract periods of the Individual Agreements with respect to the Finance Leasing Service are expected to range from three (3) to eight (8) years, depending on the type of Leased Assets involved. The Individual Agreements duly executed shall remain to have full force and effect for their respective contract periods even if the Finance Leasing Framework Agreement is expired or terminated and is not renewed.

In assessing the reasons for the duration of the Individual Agreements under the Finance Leasing Framework Agreement to be longer than three years, we considered the following factors:

- (i) The Leased Assets include healthcare equipment, engineering vehicles or equipment, and equipment used in power station and carriers for transport of goods and/or passengers, which typically involve a relatively larger financing amount and thus requires a relatively longer repayment term.
- (ii) The Leased Assets have useful lives ranging from approximately 5 to 20 years. As advised by the Management, the durations of the Individual Agreements are determined with reference to, among other things, the aforesaid financing amount and the useful life of the Leased Assets.

In considering whether it is normal business practice for agreements of a similar nature to the Individual Agreements to have a term of such duration, we have identified comparable finance lease transactions involving assets of similar nature as the Leased Assets (including healthcare equipment, engineering vehicles or equipment, equipment used in power stations and carriers such as aircraft and vessels for transport of goods and/or passengers) announced by companies listed on the Stock Exchange (other than the Company) which are principally engaged in provision of finance lease from 1 September 2022 to 4 November 2022, being a period of around two months immediately prior to and including the date of the Initial Finance Leasing Framework Agreement (the “**Leasing Comparables**”) (excluding transactions with no detailed terms disclosed). To the best of our knowledge and endeavour, we have identified the following Leasing Comparables, which are exhaustive as far as we are aware of, and are fair and representative:

Company (stock code)	Announcement date	Asset type	Lease period
China Development Bank Financial Leasing Co., Ltd. (1606.HK)	31 October 2022	Engineering machinery equipment	1 year
China Development Bank Financial Leasing Co., Ltd. (1606.HK)	28 October 2022	Vehicle equipment	4 years

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**LETTER FROM SOMERLEY**

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<b>Company (stock code)</b>	<b>Announcement date</b>	<b>Asset type</b>	<b>Lease period</b>
China Development Bank Financial Leasing Co., Ltd. (1606.HK)	28 October 2022	Vehicle equipment	No more than 3 years
China Development Bank Financial Leasing Co., Ltd. (1606.HK)	25 October 2022	Power generation equipment and facilities	8 years
China Development Bank Financial Leasing Co., Ltd. (1606.HK)	18 October 2022	Vehicle equipment	3 years
China Chengtong Development Group Limited (217.HK)	18 October 2022	Railway line, power supply, storage and transportation equipment and facilities	2 years
Ziyuanyuan Holdings Group Limited (8223.HK)	14 October 2022	Dental medical equipment	6 to 27 months
CSSC (Hong Kong) Shipping Company Limited (3877.HK)	30 September 2022	Vessels	10 years
China Chengtong Development Group Limited (217.HK)	30 September 2022	Mineral processing cooling towers, excavators, crawler hydraulic excavators, wheel dozers, wheel loaders, generator trucks, road rollers, hydraulic crushers, spectrosopes, motor graders and other steel production equipment	3 years
China Chengtong Development Group Limited (217.HK)	29 September 2022	Mining production equipment	5 years
China Development Bank Financial Leasing Co., Ltd. (1606.HK)	26 September 2022	Photovoltaic solar power generation equipment	15 years
China Chengtong Development Group Limited (217.HK)	23 September 2022	Mining production equipment and facilities	5 years
China Development Bank Financial Leasing Co., Ltd. (1606.HK)	22 September 2022	Wind power generation equipment	18 years

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## LETTER FROM SOMERLEY

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As set out in the table above, the leased period of the Leasing Comparables ranged from 6 months to 18 years and 7 out of a total of 13 Leasing Comparables have lease periods exceeding three years.

In addition, we have obtained a summary showing principal terms (including but not limited to the name of the lessees, lease commencement date, principal amount, lease term and interest rate) of all 18 individual finance lease agreements entered into between the Group (as the lessor) and Independent Third Parties (as the lessee) involving assets of similar nature as the Leased Assets, being healthcare equipment, engineering vehicles or equipment, equipment used in power stations and carriers such as aircraft and vessels for transport of goods and/or passengers, during the period from 2020 to 2022. Such agreements represent all individual finance lease agreements entered into between the Group (as the lessor) and Independent Third Parties (as the lessee) during the period and are fair and representative. We noted from such agreements that the lease periods of 3 transactions also exceeded three years.

Taking into account of the above, we consider that the duration of the Individual Agreements under the Finance Leasing Framework Agreement, which is longer than three years, is required and it is normal business practice for agreements of this type to be of such duration (“**Our View on Individual Agreements Duration**”).

### *Interests and Refundable Security Deposit*

The interest rate and refundable security deposit to be agreed for the Finance Leasing Service shall be fair and reasonable and on normal commercial terms or better. The refundable security deposit may be required based on the size of the finance lease, lessee’s credit history and financial conditions.

With reference to the Board Letter, the Company normally requests from the lessee approximately 1% to 5% of the investment amount of the relevant Leased Assets as the refundable security deposit, subject to the parties’ negotiations. The refundable security deposit is non-interest bearing and refundable to Nanshan Group upon the expiry of the relevant Individual Agreement. When determining and arriving at the Nanshan Interest Rate, the Group shall make reference to the following non-exhaustive factors:

- (1) the benchmark lending rates published by PBOC, which is a representative indicator of the applicable risk-free interest rates given the economic and market condition in the PRC at the material time. The Nanshan Interest Rate shall be higher than the PBOC benchmark lending rates in order for the Company to reasonably profit from the provision of the Finance Leasing Service;
- (2) the risk premium of Nanshan Group contemplated within the range approximately from 1% to 4%, which is dependent on the Company’s evaluation of the risk factors of Nanshan Group including the financial

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## LETTER FROM SOMERLEY

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conditions, credit history, size of finance lease, industry, scale of business and outlook of the Nanshan Group. The Group will make reference to other financing projects between the Group and other Independent Third Party customers and the risk premium will be compared to those of at least two (2) Independent Third Party customers;

- (3) the secured lending rate for the borrowings granted to Nanshan Group by financial Institutions, which is a piece of useful information for the Directors to negotiate a competitive Nanshan Interest Rate. The Nanshan Interest Rate shall not be lower than such secured lending rate in order for the Company to ensure that the former is not undervalued;
- (4) the funding costs (i.e. the costs of borrowing of the Group) incurred by the Group at the time of entering into of the relevant Individual Agreement. The Nanshan Interest Rate shall be higher than the funding costs in order to ensure that the Company will not incur loss out of the provision of the Finance Lease Service and such funding costs will be covered; and/or
- (5) the quotations (which will be obtained by the finance department of the Company every time before entering into the Individual Agreements) and/or contracts for similar finance leasing services offered by the Company to at least two (2) Independent Third Party customers, which act as a reference to prevailing market rate, so as to ensure that the Nanshan Interest Rate of the Finance Leasing Service provided by the Company to Nanshan Group shall not be lower than the average effective interest rates offered to its other Independent Third Party customers at the prevailing time and that it is no less favourable than to Independent Third Parties.

For our due diligence purpose, we have obtained a summary showing principal terms (including but not limited to the name of the lessees, lease commencement date, principal amount, lease term and interest rate) of individual finance lease agreements entered into between the Group and Nanshan Group during the period from 2020 to 2022 (the “**Nanshan Group Finance Lease Terms Summary**”). Based on the summary, we have further obtained (i) certain individual finance lease agreements entered into between the Group (as lessor) and Nanshan Group (as the lessee) (the “**Previous Nanshan Agreements**”); (ii) relevant internal reports of the Group regarding finance lease projects with other Independent Third Party lessees (which contains principal terms of finance lease proposed by the Group to such Independent Third Party lessees) during the period from 2020 to 2022 involving assets of similar nature as the Leased Assets, being healthcare equipment, engineering vehicles or equipment, equipment used in power stations and carriers such as aircraft and vessels for transport of goods and/or passengers (i.e. one individual finance lease agreement with Nanshan

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## LETTER FROM SOMERLEY

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Group and at least two corresponding internal reports which the Group made reference to prior to the entering into of the individual agreements with Nanshan Group were obtained for each semi-annual period in 2020, 2021 and 2022, except for the six months ending 31 December 2022 during which there were no individual finance lease agreements between the Group and Nanshan Group); and (iii) information in relation to the funding costs of the Group in the relevant period of the aforesaid individual finance lease agreements between the Group and Nanshan Group. As the individual finance lease agreement and corresponding internal reports cover historical transactions of the Group throughout the term of the Existing Finance Leasing Framework Agreement, we consider such documents to be fair and representative. We noted from such documents that, during the comparable period, the lease interest rates charged to Nanshan Group (i) were higher than the then the PBOC benchmark lending rates; (ii) were not lower than those proposed to Independent Third Parties; and (iii) were higher than the funding costs of the Group; and the risk premium (being the difference between the lease interest rates charged to the lessee and the PBOC benchmark lending rates) charged to Nanshan Group were not lower than those proposed to Independent Third Parties (“**Our Due Diligence on Previous Transactions**”).

In addition, in relation to the Previous Nanshan Agreements, we have obtained information regarding the payment schedule and the repayment history of Nanshan Group for the finance leases. We noted from such information that the rental fees were settled in accordance with the terms of the finance lease and there were no outstanding overdue rental fees payable by Nanshan Group as at the Latest Practicable Date (“**Our Due Diligence on Nanshan Repayment History**”).

As advised by the Management, the Transaction will follow the same internal control measures as those for transactions contemplated under the Existing Finance Leasing Framework Agreement, details of the internal control measures are set out in the section headed “INTERNAL CONTROL MEASURES AND RISK MANAGEMENT” of the Board Letter. Having considered, in particular, that:

- (i) the interest rate and the refundable security deposit of the Finance Leasing Service under any Individual Agreement shall be fair and reasonable and on normal commercial terms or better. In particular, when determining the effective interest rate, the Group shall make reference to the following factors: (1) the benchmark RMB lending rate published by PBOC from time to time; (2) the risk premium of Nanshan Group; (3) the secured lending rate granted to Nanshan Group by financial institutions; (4) the funding cost of the Company; and/or (5) the quotations and/or contract made by the Company for similar finance leasing service offered to at least two (2) Independent Third Party customers;

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## LETTER FROM SOMERLEY

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- (ii) the Company will identify whether the proposed finance leasing projects involve Nanshan Group. If Nanshan Group is involved, the business department and project vetting committee of the Company, during the project initiation stage, will compare the major terms of the finance leasing projects with the terms and conditions of the Finance Leasing Framework Agreement, in order to make sure that the major terms of such projects during the project initiation stage are consistent with the Finance Leasing Framework Agreement; and
- (iii) the Company will make sure that the proposed terms and conditions of the relevant Individual Agreements are consistent with the Framework Agreement, and shall not be less favourable to the Company than the finance leasing service of similar nature if provided to the Independent Third Parties. In particular, with respect to the finance leasing projects with Nanshan Group, when the risk management department and legal department of the Company are respectively preparing the risk assessment opinion and legal opinion after project initiation and due diligence stages, the two departments will (1) refer to and focus on the Finance Leasing Framework Agreement; (2) opine on whether the terms and conditions under Individual Agreements to be entered into under such finance leasing projects are consistent with those under the Finance Leasing Framework Agreement; and (3) submit their respective opinions to the project approval committee of the Company for its further assessment and approval,

we consider that the procedures to be implemented by the Group are appropriate in governing the conduct of the Transaction and safeguarding the interests of the Company by ensuring the pricing of the Transaction is fair and reasonable and on normal commercial terms.

With reference to the Company's 2020 annual report and 2021 annual report, the independent non-executive Directors have reviewed the Group's continuing connected transactions (including those contemplated under the Existing Finance Leasing Framework Agreement) and have confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms or on terms no less favourable than those available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that were fair and reasonable and in the interests of the Shareholders as a whole (the "INEDs' Confirmation").



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## LETTER FROM SOMERLEY

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In addition, we noted from the Company's 2020 annual report and 2021 annual report that the auditors of the Company were engaged to report on the Group's continuing connected transactions (including those contemplated under the Existing Finance Leasing Framework Agreement). The auditors have issued their unqualified letter in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules confirming that (i) nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board; (ii) for transactions involving the provisions of goods or services by the Group, nothing has come to their attention that causes them to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Company; (iii) nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (iv) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes them to believe that the continuing connected transactions have exceeded the annual caps as set by the Company (the "**Auditors' Confirmation**").

Taking into account the above, in particular, (i) Our View on Individual Agreements Duration, (ii) Our Due Diligence on Previous Transactions; (iii) that the Transaction will be governed by the internal control measures of the Group; (iv) INEDs' Confirmation; and (v) the Auditors' Confirmation, we consider the terms of the Transactions are on normal commercial terms and are fair and reasonable.

### 5. Annual Caps

Set out below are (i) the historical annual caps (comprised of the principal amounts and expected interest income from provision of Finance Leasing Service) in aggregate under the Existing Finance Leasing Framework Agreement for each of the three years ended/ending 31 December 2020, 2021 and 2022; (ii) the actual aggregate transaction amounts incurred by the Nanshan Group to the Company under the Existing Finance Leasing Framework Agreement for each of the two years ended 31 December 2020 and 2021 and the ten months ended 31 October 2022; and (iii) the Annual Caps (comprising (a) the principal amounts and the expected interest income for new Individual Agreements to be entered during the relevant year (collectively, the "**New Transaction Amount**"); and (b) the outstanding balances of all existing outstanding finance leases (excluding the New Transaction Amount) (the "**Outstanding Balance**") for each of the three years ending 31 December 2025 as extracted from the Board Letter. The refundable security deposit (where applicable) is not included as (i) it is refundable upon expiry of the relevant Individual Agreement; (ii) upon receipt of the deposit in cash, it will be accounted for as other payables and it does not form part of the transaction amounts; and (iii) it is a separate security arrangement in favour of the Company instead of otherwise. The historical annual caps, historical transaction amounts and the Annual Caps represent the sum of the principal amount and the interest for the entire lease period of the finance leases entered into during the year.

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**LETTER FROM SOMERLEY**

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	<b>For the year ended 31 December 2020 RMB'000</b>	<b>For the year ended 31 December 2021 RMB'000</b>	<b>For the year ending 31 December 2022 RMB'000</b>
Historical annual caps <i>(note 1)</i>	855,000	855,000	977,000
Historical transaction amounts	834,060	774,704	943,513 <i>(note 2)</i>
Utilisation rate	97.55%	90.61%	96.57%
	<b>For the year ending 31 December 2023 RMB'000</b>	<b>For the year ending 31 December 2024 RMB'000</b>	<b>For the year ending 31 December 2025 RMB'000</b>
<b>Annual Caps</b>			
<b><i>New Individual Agreements</i></b>			
Principal amount	840,000	882,000	926,000
Interest income	<u>203,000</u>	<u>213,000</u>	<u>224,000</u>
<b><i>Existing outstanding finance leases</i></b>			
Outstanding balances of existing outstanding finance leases	1,092,178	1,342,909	1,499,854
Total (maximum aggregate balance of all outstanding finance leases)	<u><u>2,135,178</u></u>	<u><u>2,437,909</u></u>	<u><u>2,649,854</u></u>

*Note:*

1. The historical annual caps for the Existing Finance Leasing Agreement comprised the principal amounts and expected interest income only.
2. For the ten months ended 31 October 2022.

For our due diligence purpose, we have obtained and reviewed (i) the calculation of the Annual Caps; and (ii) information regarding the historical finance lease transactions between the Group and Nanshan Group in 2020, 2021 and 2022.

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## LETTER FROM SOMERLEY

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### *(a) New Individual Agreements*

For the principal amount component, the annual caps for each of the three years ending 31 December 2023, 2024 and 2025 were determined based on the estimated principal amount in the preceding year and an annual growth rate of 5%. In assessing the fairness and reasonableness of the 5% growth rate, we have considered the growth rate of the aforesaid historical total transaction amounts under the Existing Finance Leasing Framework Agreement and the latest financial performance of the Group. We noted that the aforesaid historical total transaction amounts incurred by the Nanshan Group to the Company under the Existing Finance Leasing Framework Agreement increased from approximately RMB834.06 million for the year ended 31 December 2020 to approximately RMB943.51 million for the year ending 31 December 2022 (based on figures in the first ten months), representing an increase of approximately 13.12% and a compounded annual growth rate of approximately 6.36%. In addition, according to the Company's 2022 interim report, the Group recorded increase in finance lease income of approximately 9.53% for the six months ended 30 June 2022 as compared to that for the six months ended 30 June 2021. Accordingly, we consider the estimated annual growth rate of 5% to be justifiable.

As regards the estimated principal amount of approximately RMB840 million for the year ending 31 December 2023, we noted that such amount is based on the principal amount component of the historical annual cap for the year ended 31 December 2022 of approximately RMB800 million taking into account the estimated annual growth rate of 5%. Having considered (i) the high utilisation rate of the principal amount component of the historical annual caps as illustrated above; and (ii) that according to the information provided by the Company, the historical principal amount incurred by the Nanshan Group to the Company under the Existing Finance Leasing Framework Agreement for the ten months ended 31 October 2022 already amounted to approximately RMB770 million, we consider the estimation of the principal amount for the year ending 31 December 2023 to be fair and reasonable. Accordingly, we also consider that the estimation of the principal amount for the two years ending 31 December 2024 and 2025, which are based on the estimated amount in the preceding year and the estimated annual growth rate of 5%, are fair and reasonable.

For the interest income component, the annual caps of such part for each of the three years ending 31 December 2023, 2024 and 2025 were determined based on the estimated principal amounts in the respective year and taking into account the estimated principal terms of the finance lease (including the estimated duration of the lease, the interest and relevant fee rates and payment terms). The Management estimated the interest income based on the average lease duration of 5 years. In this regard, we obtained information in relation to the lease terms of historical individual agreements entered into between the Group and Nanshan Group under the Existing Finance Leasing Framework Agreement. We noted that majority of such individual agreements had a lease duration of 5 years. As for the estimated interest rates and the payment terms (i.e. rental fees to be received

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## LETTER FROM SOMERLEY

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quarterly during the lease term), we noted that the estimated interest rates were higher than the PBOC benchmark lending rates as at the Latest Practicable Date; and based on the aforesaid information of historical lease terms with Nanshan Group provided by the Company, (i) the estimated interest rates were within the range of historical interest rate of finance lease with Nanshan Group and (ii) majority of historical individual agreements with Nanshan Group charged rental fees quarterly. Taking into account the above, we consider the estimation of interest income for the three years ending 31 December 2023, 2024 and 2025 to be fair and reasonable.

*(b) Existing outstanding finance leases*

For the year ending 31 December 2023, as advised by the Management, the outstanding balances of existing outstanding finance leases of approximately RMB1.1 billion was determined based on the actual outstanding balances (being the sum of all rental fees which include the principal amounts and interest income) of all outstanding finance leases with Nanshan Group as at the end of 2022 (i.e. which includes the outstanding balances for existing individual finance lease transactions entered during 2019, 2020, 2021 and 2022). Such amount also represented the maximum balance in relation to the existing outstanding finance leases for the year ending 31 December 2023 (the “**Existing Finance Lease 2023 Maximum Balance**”).

For each of the two years ending 31 December 2024 and 2025, the outstanding balances of existing outstanding finance leases were determined based on (i) the Existing Finance Lease 2023 Maximum Balance and (ii) the New Transaction Amount in 2023 and 2024 (where applicable), and deducting the expected rental payment during each of the two years ending 31 December 2023 and 2024, which also represented the estimated outstanding balances as at the end of 2023 and 2024 respectively. In estimating the amount of rental payment in 2023 and 2024, the Management took into account (i) the actual aggregate maximum transaction amounts incurred by the Nanshan Group to the Group in 2019, 2020, 2021 and 2022; (ii) the New Transaction Amount in 2023 and 2024; and (iii) the average finance lease term of approximately 5 years. As for the basis of average finance lease term of approximately 5 years, based on the Nanshan Group Finance Lease Terms Summary, we noted that such finance lease transactions have average lease term of approximately 4.3 years and majority of such finance lease transactions have lease term of 5 years. Accordingly, we consider the basis of average finance lease term of approximately 5 years to be justifiable.

Having considered the above, we consider the Annual Caps for the Transaction to be fair and reasonable.

**6. Review and conditions of the Transaction**

As confirmed by the Management, in compliance with the Listing Rules, the Transaction is subject to a number of conditions which include, among other things:

- (i) the Annual Caps will not be exceeded;
- (ii) the independent non-executive Directors must, in accordance with the Listing Rules, review annually the Transaction and confirm in the Company's annual report whether the Transaction has been entered into (a) in the ordinary and usual course of business of the Company; (b) on normal commercial terms or better; and (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (iii) the auditors of the Company must, in accordance with the Listing Rules, review annually the Transaction and they must confirm in a letter to the Board (a copy of which letter will be provided to the Stock Exchange at least ten business days prior to the bulk printing of the Company's annual report) whether anything has come to their attention that causes them to believe that the continuing connected transactions:
  - (a) have not been approved by the Board;
  - (b) were not, in all material respects, in accordance with the pricing policies of the Company;
  - (c) were not entered into, in all material respects, in accordance with the relevant agreement(s) governing the transactions; and
  - (d) have exceeded the proposed annual caps;
- (iv) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or the auditors cannot confirm the matters as required;
- (v) the Company must allow, and ensure that Nanshan Group allow, the auditors of the Company sufficient access to their records of the transactions for the purpose of the auditors' reporting on the Transaction. The Board must state in the annual report whether the auditors of the Company have confirmed the matters set out in Rule 14A.56 of the Listing Rules; and
- (vi) the Company must comply with the applicable provisions of the Listing Rules governing continuing connected transactions in the event that the total amount of the Transaction exceeds the relevant proposed annual cap(s), or that there is any material amendment to the terms of the Finance Leasing Framework Agreement.

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## LETTER FROM SOMERLEY

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In light of the conditions imposed on the continuing connected transactions, in particular, (1) the limit of the value of the transaction by way of the Annual Caps; (2) the on-going review by the independent non-executive Directors and auditors of the Company regarding the terms of the Transaction; and (3) the on-going review by the auditors of the Company confirming the relevant Annual Cap(s) not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Transaction and safeguard the interests of the Independent Shareholders.

### **7. Financial effect of the finance leasing service**

According to the Board Letter, the Board considers that the Group will be entitled to recognise interest income from Nanshan Group from the date on which the Individual Agreement becomes effective, which is expected to provide additional income to the Group.

It is expected that the Finance Leasing Service will be financed by the Group via its internal resources and bank borrowings, and the Group's gearing and total liabilities may increase by an extent corresponding to the amount of new bank borrowings to be obtained. It is expected that the borrowings of the Group will increase and the cash and cash equivalents of the same will decrease. Due to the nature of the business of the Company and its existing business model, the Board advised that the Company has obtained and will obtain necessary financing from the financial institutions to meet its operation needs.

On the other hand, the Board considers that there will be no significant immediate change to the Group's net asset value given the total assets will increase pursuant to the value of new finance lease receivables assets acquired under each finance lease while offset by the payment of proceeds to Nanshan Group or the relevant suppliers, when the Group commences the provision of the Finance Leasing Service contemplated under the Individual Agreement.

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## LETTER FROM SOMERLEY

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### OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the Transaction is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole; and the terms of the Transaction are on normal commercial terms and are fair and reasonable. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant ordinary resolution(s) to be proposed at the EGM to approve the Transaction.

Yours faithfully,  
for and on behalf of  
**SOMERLEY CAPITAL LIMITED**  
**Clifford Cheng**  
*Director*

*Mr. Clifford Cheng is a licensed person registered with the Securities and Futures Commission and a responsible officer of Somerley Capital Limited, which is licensed under the SFO to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. He has over ten years of experience in the corporate finance industry.*

\* *For identification purpose only*

## 1. FINANCIAL INFORMATION OF THE GROUP FOR THE THREE FINANCIAL YEARS ENDED 31 DECEMBER 2021

The audited consolidated financial information of the Group for each of the three years ended 31 December 2019, 2020 and 2021 are disclosed in the following annual reports of the Company, the unaudited consolidated financial information of the Group for the six months ended 30 June 2022 is disclosed in the Interim Report and the audited consolidated financial information of the Nanshan University for each of the three years ended 2019, 2020 and 2021 and the three months ended 31 March 2022 are disclosed in the circular of the Company dated 3 August 2022 in respect of the acquisition of the Nanshan University (the “**Acquisition Circular**”), all of which have been published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.iaf-leasing.com/>):

- The audited consolidated financial statements of the Group for the year ended 31 December 2019 is disclosed in the 2019 annual report of the Company published on 13 May 2020, from pages 49 to 119. Please also see below the link to the 2019 annual report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0513/2020051300339.pdf>

- The audited consolidated financial statements of the Group for the year ended 31 December 2020 is disclosed in the 2020 annual report of the Company published on 16 April 2021, from pages 52 to 119. Please also see below the link to the 2020 annual report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0416/2021041601569.pdf>

- The audited consolidated financial statements of the Group for the year ended 31 December 2021 is disclosed in the 2021 annual report of the Company published on 25 April 2022, from pages 51 to 107. Please also see below the link to the 2021 annual report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042500513.pdf>

- The unaudited consolidated financial statements of the Group for the six months ended 30 June 2022 is disclosed in the Interim Report, from pages 15 to 30. Please also see below the link to the Interim Report:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0915/2022091501158.pdf>

- The audited consolidated financial information of the Nanshan University for each of the three years ended 2019, 2020 and 2021 and the three months ended 31 March 2022 are disclosed in the Acquisition Circular, from pages I-4 to I-52. Please also see below the link to the Acquisition Circular:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0802/2022080202304.pdf>



## 2. INDEBTEDNESS

### Debt securities

At the close of business on 31 October 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had no debt securities.

### Borrowings

At the close of business on 31 October 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had outstanding unguaranteed bank borrowings of approximately RMB399,792,000, none of which were secured bank borrowings.

### Lease liabilities

At the close of business on 31 October 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had lease liabilities of approximately RMB43,248,000.

### Mortgages and charges

At the close of business on 31 October 2022, the Group had no mortgage and charges on its assets.

### Contingent liabilities

The Group did not have any material contingent liabilities as at the close of business on 31 October 2022.

### Disclaimer

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding on 31 October 2022, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular.

### 3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

For the year ended 31 December 2021, (i) the Group realised revenue from the continuing operations of approximately RMB231.8 million, representing a year-on-year decrease of approximately 6.5%; (ii) profit attributable to equity holders of the Company was approximately RMB78.9 million, representing a year-on-year increase of approximately 375.0%; and (iii) the Group's gross profit margin from the continuing operations was approximately 34.0%, representing an increase of 27.3 percentage points over the same period of 2020. As at 31 December 2021, total assets and total equity of the Group amounted to approximately RMB2.4 billion and approximately RMB1.3 billion, representing a year-on-year decrease of approximately 21.6% and increase of approximately 6.5% respectively.

Subsequent to 31 December 2021 being the date on which the latest published audited consolidated accounts of the Group were made up, on 18 August 2022, the Company completed the acquisition of 70.0% equity interest in Nanshan University at a total consideration of RMB566.0 million which has been and will be satisfied in cash in the manner as set out in the relevant agreement. Upon completion of the said acquisition, the financial results of the Nanshan University would be consolidated to the consolidated financial statements of the Company.

As disclosed in the Acquisition Circular, for the year ended 31 December 2021, the Nanshan University recorded (i) revenue of approximately RMB356.5 million; (ii) net profit of approximately RMB102.0 million; and (iii) gross profit margin of approximately 36.5%. As at 31 December 2021, total assets and total equity of the Nanshan University amounted to approximately RMB1.1 billion and approximately RMB630.5 million.

The Group will, in addition to steadily developing the existing finance leasing business of the Company, strategically explore new business opportunities for the Group and step up its efforts to expand the finance leasing business of the Group to a larger scale. Further, the Group will through participating in domestic and overseas capital markets and leveraging applicable financial products, to obtain sufficient financing and bring new impetuses to the business development of the Group.

### 4. WORKING CAPITAL

After taking into account the Group's internal resources, the cash flows from the Finance Leasing Framework Agreement (including the cash outflow for the purchase of the Leased Assets), the presently available banking facilities, the Directors are of the opinion that the Group will have sufficient working capital to meet its present requirements for the next twelve (12) months from the date of this circular.

## 5. LIQUIDITY, FINANCIAL RESOURCES AND FINANCING ACTIVITIES

The Group aimed to maintain stable funding sources and financing is arranged to match business requirements and cash flows. The financial leverage of the Group as at 31 December 2021 as compared to 31 December 2020 is summarised below:

	31 December 2021 RMB'000	31 December 2020 RMB'000
Total indebtedness		
Current borrowings	169,920	930,145
Non-current borrowings	625,960	558,881
Sub-total	795,880	1,489,026
Total cash		
Bank balances (excluding restricted bank balances) <sup>(note 1)</sup>	141,821	35,705
Restricted bank balances	100,001	172,625
Sub-total	241,822	208,330
Net debt <sup>(note 2)</sup>	554,058	1,280,696
Total equity	1,273,474	1,195,450
Total assets	2,436,534	3,109,506
Financial leverage		
Net debt to total equity	0.4	1.1
Net debt to total assets	0.2	0.4
Current ratio	3.7	1.4

*Notes:*

1. The remaining part of the bank balances, representing cash and cash equivalents for the purpose of the consolidated statement of cash flows.
2. Net debt equals to total indebtedness minus total cash.

As at 31 December 2021, the Group had bank balances (excluding restricted bank balances and representing cash and cash equivalents) of approximately RMB141.8 million (31 December 2020: approximately RMB35.7 million) and restricted bank balances of approximately RMB100.0 million (31 December 2020: approximately RMB172.6 million) which were mainly denominated in US dollars and Renminbi. The decrease was mainly due to repayment of matured borrowings and bonds.

As at 31 December 2021, the Group's total indebtedness (comprising of current and non-current borrowings) amounted to approximately RMB795.9 million, of which approximately RMB169.9 million were repayable within twelve months from 31 December 2021 and approximately RMB626.0 million were repayable after twelve

months from 31 December 2021. From 1 January 2022 up to the date of this circular, the Group obtained new bank borrowings amounted to approximately RMB20.0 million, all of which were repayable after twelve months from the date of this circular. All loans bore interest at market rates.

As at 30 June 2022, the gearing ratio, calculated based on dividing the total indebtedness by total equity and indebtedness as at the end of the six months ended 30 June 2022, was approximately 26.2% (30 June 2021: approximately 44.3%). Such decrease was mainly due to the decrease in the borrowings.

As at the Latest Practicable Date, the Company has no financial instruments for hedging purposes, and has no foreign currency net investments that are hedged by currency borrowings and other hedging instruments.

## **6. CAPITAL STRUCTURE**

The equity attributable to owners of the Company amounted to approximately RMB1,320.8 million as at 30 June 2022 (31 December 2021: RMB1,273.5 million). The increase was mainly due to the profit and total comprehensive income for the six months ended 30 June 2022. The Company did not issue any new Shares during the year. The issued share capital of the Company was approximately US\$1,500 (represented by 1,500,000,000 ordinary shares).

## **7. CURRENCIES**

The ongoing projects and daily operations of the Company are financed from various channels including but not limited to financing from financial institutions, bank factoring and overseas financings. The numerous and diversified type of financing, including both long-term and short-term financings, allows the Company to satisfy its long-term and short-term financing needs. With respect to overseas financing, the Company will try to avoid or reduce the currency risks in order to lower the funding costs of the Company. The Company's domestic financings are mainly denominated in Renminbi and bear fixed interest rate, and overseas financings are mainly denominated in US dollars and bear interest at floating rates.

## **8. SEGMENT INFORMATION**

The Group mainly provides (i) finance leasing and advisory services to three major targeted industries in the PRC, including the healthcare, aviation and public infrastructure industries and (ii) private higher education service in the PRC. The Group has strategically focused its businesses on these industries as it believes that they have tremendous growth potential.

**Finance Leasing*****(a) Health care***

The health care industry is closely related to people's life. With the acceleration of the aging of population in the PRC, the increased demand for medical services and the allocation of resources guided by the government, the health care coverage under the new health care reform policy will expand, and the increasing affordability of the PRC citizens to pay for medical service will all stimulate the demand for medical services. Therefore, the Company expects that the health care industry will maintain rapid growth for a fairly long period of time.

The Group will use its endeavours to obtain the latest market information of the health industry, study and consider applicable investment strategies, actively seek the opportunities to conduct direct finance leasing business or sale-leaseback business in certain market segments of the health industry (including but not limited to equipment, consumables, medicines, manufacturing enterprises for health care products, as well as institutions for the provision of medical health management service such as high-end specialised hospitals, health clubs and elderly health centres).

***(b) Aviation***

The second largest aviation market in the world is in the PRC. As it is expected that the income of the PRC citizens will continuously increase, the consumption capacity of the PRC citizens will increase, the progress of urbanisation will speed up and cross-regional economic liaisons will get closer in the coming five years, it is possible that the PRC is able to replace the United States to contain the world's largest aviation market.

Since the aircraft finance leasing market in the PRC is considerably huge, the Group treats the aircraft finance leasing market in the PRC as its major business expansion segment, and will continuously look for potential new clients through, among others, provision of high quality customer service to them.

***(c) Public infrastructure***

Urban infrastructure is the material basis for the normal operation and healthy development of cities. It plays a significant role in improving the living environment, enhancing the integrated carrying capacity of cities and increasing the efficiency of cities. It is clearly stated in the Opinions on Strengthening Urban Infrastructure Construction 《關於加強城市基礎設施建設的意見》 issued by the State Council of the PRC (中華人民共和國國務院) that the transformation and upgrade of urban infrastructure should be accelerated, and the standard of the urban infrastructure should be comprehensively upgraded, including strengthening the construction and transformation of urban pipeline networks and accelerating the construction of sewage and garbage disposal facilities.

Accordingly, it is not hard to find that there is a relatively large developing space of the public infrastructure market in the PRC. In the medium to long term business development, the Group will continue to develop the public infrastructure service projects (including but not limited to water supply, power supply, gas supply, heating, sewage treatment and smart city), for pursuit of economic gains and bringing social benefits at the same time.

The Directors believe that, leveraging on the rich social networking, knowledge and experience that the Company possesses in the health care, aviation and public infrastructure industries, these industries will provide the Group with great opportunities for its business expansion.

### **Private Higher Education**

On 6 July 2022, the Company and Longkou Zhimin, an indirect wholly-owned subsidiary of the Company, entered into the acquisition agreement with Mr. Song Zuowen, Nanshan Group and the Nanshan University, pursuant to which Longkou Zhimin, as the purchaser, has conditionally agreed to acquire, and Mr. Song Zuowen and Nanshan Group as the vendors, have conditionally agreed to sell, the control of the Nanshan University and 70.0% equity interest in the Designated School Sponsor (as defined in the Acquisition Circular at a total consideration of RMB566.0 million (equivalent to approximately HK\$660.4 million). The Completion Conditions (as defined in the Acquisition Circular) have been satisfied and Completion (as defined in the Acquisition Circular) took place on 18 August 2022.

The Nanshan University, approved to be upgraded to an undergraduate college from an associate college in 2005 on the basis of Shandong Nanshan Vocational and Technical College\* (山東南山職業技術學院) and located in Longkou City, Shandong Province, the PRC (中國山東省龍口市), is a private institution of higher education that provides undergraduate and junior college diploma programmes approved by the Ministry of Education of the PRC. In 2018, the Nanshan University was recognised as one of the Model Colleges of Experimental Innovation and Entrepreneurship in the Shandong Province, the PRC (山東省新創業典型經驗高校) by the Department of Human Resources and Social Security of the Shandong Province, the PRC (山東省人力資源和社會保障廳). During the 2021/2022 school year, the Nanshan University offered 49 undergraduate programmes and 40 junior college diploma programmes with a total of 30 faculties. During the 2021/2022 school year, the total number of student enrollment was more than 29,000. The tuition fee charged by the Nanshan University for the 2021/2022 school year ranged from approximately RMB8,200 to RMB20,800 (depending on majors).

Further details of the acquisition and Nanshan University 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 2<sup>nd</sup> announcement of the Company dated 18 August 2022 and the Acquisition Circular.

## 9. EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group employed 33 full time employees (30 June 2021: 31) for its principal activities. Employees' benefits expenses (including 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.

The aggregate of the remuneration payable to and benefits in kind receivable by the Directors have not been and will not be varied in consequence of acquisition of the Nanshan University.

## 10. OUTLOOK AND PROSPECTS

Despite the fact that the economy in the PRC continues to recover, the impact of the COVID-19 pandemic (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 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 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 Nanshan Group and Nanshan University. The Completion Conditions (as defined in the Acquisition Circular) have been satisfied and Completion (as defined in the Acquisition Circular) took place on 18 August 2022. From 18 August 2022 onwards, the financial results of the Nanshan University would be consolidated to the consolidated financial statements of the Company.

As further set out in the paragraph headed “Letter from the Board — REASONS FOR AND BENEFITS OF THE ACQUISITION” in the Acquisition Circular, as (i) the entry barriers to the PRC private higher education industry are generally high, and (ii) the total revenue of private higher education industry in the PRC had experienced growth from 2016 to 2020 and is expected to grow to approximately RMB217.4 billion in 2025, the Directors consider engaging in the PRC private higher education business will provide a stable income source to the Group, thereby further strengthening the financial position of the Group in times of market downturn and mitigating market risks faced by the Group.

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.

#### **11. FOREIGN EXCHANGE RISK**

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

#### **12. 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 year ended 31 December 2021.

#### **13. MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

During the year ended 31 December 2021, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures.

#### **14. FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

As at 31 December 2021, save for the acquisition of the Nanshan University as disclosed above, the Group did not have other plans for material investments and capital assets. The Group may look into business and investment opportunities in different business areas and consider whether any asset disposals, asset acquisitions, business rationalisation, business divestment, fund raising, restructuring of the business and/or business diversification will be appropriate in order to enhance the long-term growth potential of the Group.



## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DIRECTORS' INTERESTS

### **Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures of the Company or its associated corporations**

As at the Latest Practicable Date, the interests or short positions of each Director or chief executive of the Company in the Shares, underlying Shares and debentures of the Company or associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of 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 the Model Code, to be notified to the Company and the Stock Exchange, in each case once the Shares are listed on the Stock Exchange; were as follows:

#### *Long positions in Shares/underlying Shares*

Name of Director/ chief executive	Capacity/nature of interest	Number and class of Shares <sup>(1)</sup>	Percentage of interest in the Company
Mr. Li Luqiang (李璐強)	Interested in controlled corporation <sup>(2)</sup>	7,881,797 Shares (L)	0.47%
	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 0.47% by RongJin Enterprise Management & Consulting Co., Ltd. ("**Rongjin**"). RongJin is wholly owned by Mr. Li Luqiang. Mr. Li Luqiang is also the sole director of RongJin. Mr. Li Luqiang is therefore deemed to be interested in the Shares in which RongJin is interested pursuant to the SFO.

Save as disclosed above, as at the date of this circular, none of the Directors and chief executives of the Company and/or any of their respective associates had any interest and short position in the Shares, underlying Shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code of the Listing Rules.

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

As at the Latest Practicable Date, so far as the Directors and the chief executives of the Company are aware, the following interests and short positions of 5% or more of the issued share capital of the Company were required to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and 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 Director/ chief executive	Capacity/nature of interest	Number and class of Shares <sup>(1)</sup>	Percentage of interest in the Company
Union Capital	Beneficial owner	768,475,221 Shares (L)	45.45%
Ms. Sui Yongqing <sup>(2)</sup>	Interest in controlled corporation	768,475,221 Shares (L)	45.45%
Mr. Song Jianbo <sup>(3)</sup>	Interest of spouse	768,475,221 Shares (L)	45.45%
PA Investment Funds SPC <sup>(4)</sup>	Beneficial owner	147,997,120 Shares (L)	8.75%
Ping An of China Securities (Hong Kong) Company Limited <sup>(4)</sup>	Interest in controlled corporation	147,997,120 Shares (L)	8.75%
Ping An Securities Co., Ltd. <sup>(4)</sup>	Interest in controlled corporation	147,997,120 Shares (L)	8.75%
China Ping An Trust Co., Ltd. <sup>(4)</sup>	Interest in controlled corporation	147,997,120 Shares (L)	8.75%
Ping An Insurance (Group) Company of China, Ltd. <sup>(4)</sup>	Interest in controlled corporation	147,997,120 Shares (L)	8.75%

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 Investment Funds SPC (“**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 Ping An Securities Co., Ltd.\* (平安證券股份有限公司), which was then owned by Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司) (“**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 (中國平安證券(香港)有限公司), Ping An Securities Co., Ltd., China Ping An Trust Co., Ltd. and Ping An Insurance are therefore deemed, or taken to be interested in the Shares in which PA Investor is interested pursuant to the SFO.

Save as disclosed above, as at the Latest Practicable Date, to the best of the knowledge of the Directors, none of any other person (other than the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register referred to in section 336 of the SFO.

As at the Latest Practicable Date, to the best of the knowledge of the Directors, none of the Directors or proposed Directors is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

#### **4. COMPETING INTERESTS**

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors or their respective close associates has any interest in any business which competes or is likely to compete with the businesses of the Group.

#### **5. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had a service contract with any member of the Group which was not determinable by the Group within one year without payment of compensation (other than statutory compensation).

#### **6. INTEREST IN THE GROUP’S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP**

As at the Latest Practicable Date, none of the Directors had any interest, direct or indirect, in any assets which have been, since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Group subsisting at the date of this circular and which is significant in relation to the businesses of the Group.

## 7. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there had been no material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial results of the Company were made up.

## 8. EXPERT AND CONSENT

The qualifications of the expert who has been named in this circular or has given opinions or advice which are contained herein are set out below:

<b>Name</b>	<b>Qualification</b>
Somerley	a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

As at the Latest Practicable Date, Somerley did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Somerley has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter or references to its name in the form and context in which they are included.

Somerley did not have any direct or indirect interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

- (a) the sale and purchase agreement dated 22 January 2021 entered into between Baoyin Alliance Limited, Bank of Utah as owner trustee and for the benefit of a wholly-owned subsidiary of the Company (as seller) and Avjet Global Sales, LLC (as buyer) in respect of a Gulfstream GV-SP (G550) aircraft;

- (b) the acquisition agreement dated 6 July 2022 entered into between the Company, Longkou Zhimin, Mr. Song, Nanshan Group and Nanshan University in respect of the control of the Nanshan University and 70.0% equity interest in the designated school sponsor;
- (c) the framework supply agreement dated 6 July 2022 entered into between the Nanshan University and Nanshan Group in respect of provision of services including but not limited to staff training and venue rental services by the Nanshan University to Nanshan Group and its subsidiaries and/or associates;
- (d) the framework supply agreement dated 6 July 2022 entered into between the Nanshan University and Longkou Nanshan in respect of provision of services including but not limited to staff training and venue rental services by the Nanshan University to Longkou Nanshan and its subsidiaries and/or associates;
- (e) the framework supply agreement dated 6 July 2022 entered into between the Nanshan University and Longkou Management in respect of provision of services including but not limited to staff training and venue rental services by the Nanshan University to Longkou Management and its subsidiaries and/or associates;
- (f) the framework supply agreement dated 6 July 2022 entered into between the Nanshan University and Nanshan Development in respect of provision of services including but not limited to staff training and venue rental services by the Nanshan University to Nanshan Development and its subsidiaries and/or associates;
- (g) the framework procurement agreement dated 6 July 2022 entered into between the Nanshan University and Nanshan Group in respect of the provision of certain goods and services by Nanshan Group and its subsidiaries and/or associates to the Nanshan University;
- (h) the framework procurement agreement dated 6 July 2022 entered into between the Nanshan University and Longkou Nanshan in respect of the provision of certain goods and services by Longkou Nanshan and its subsidiaries and/or associates to the Nanshan University;
- (i) the framework procurement agreement dated 6 July 2022 entered into between the Nanshan University and Nanshan Development in respect of the provision of certain goods and services by Nanshan Development and its subsidiaries and/or associates to the Nanshan University; and
- (j) the Finance Leasing Framework Agreement.

**10. LITIGATION**

As at the Latest Practicable Date, the Group was not engaged in any litigation or claims of material importance and there was no litigation or claims of material importance known to the Directors to be pending or threatened by or against the Group.

**11. GENERAL**

- (a) The company secretary of the Company is Mr. Yuen Kin Shan, who is a member of the Hong Kong Institute of Certified Public Accountants and CPA Australia.
- (b) The Company's registered office is at Conyers Trust Company (Cayman) Limited Cricket Square, Hutchins Drive PO Box 2681 Grand Cayman, KY1-1111 Cayman Islands. The principal place of business in Hong Kong is at Unit 2602, 26th Floor, One Hennessy, No. 1 Hennessy Road, Wan Chai, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.
- (d) Except for the names in Chinese, the English text of this circular shall prevail over the Chinese text.

**12. DOCUMENTS AVAILABLE ON DISPLAY**

Copies of the following documents will be published on the Stock Exchange's website ([www.hkexnews.com.hk](http://www.hkexnews.com.hk)) and the Company's website (<http://www.iaf-leasing.com/>), from the date of this circular up to and including the date of the EGM:

- (a) the annual reports of the Company for the year ended 31 December 2019, 2020 and 2021;
- (b) the Interim Report;
- (c) the Acquisition Circular;
- (d) the written consent as referred to under the section headed "8. Expert and Consent" in this Appendix;
- (e) the material contracts referred to in the paragraph headed "9. Material Contracts" in this Appendix;
- (f) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out on Pages 26 to 27 to this circular;
- (g) the letter from Somerley, the text of which is set out on Pages 28 to 45 to this circular; and
- (h) this circular.

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## NOTICE OF THE EGM

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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)**

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (“EGM”) of International Alliance Financial Leasing Co., Ltd. (the “**Company**”) will be held at 13th Floor, T4, Qiaochengfang, No. 4080, Qiaoxiang Road, Nanshan District, Shenzhen, Guangdong, The People’s Republic of China on Friday, 6 January 2023 at 10 a.m. or any adjournment of such meeting for the purposes of considering and, if thought fit, passing the following resolutions, with or without modifications, as ordinary resolutions of the Company:

#### **ORDINARY RESOLUTIONS**

**“THAT**

- (1) the finance leasing framework agreement dated 4 November 2022 entered into between the Company and Nanshan Group Co., Ltd.\* (南山集团有限公司) (“**Nanshan Group**”), which is supplemented by the supplemental agreement to the finance leasing framework agreement dated 14 December 2022 (collectively, the “**Finance Leasing Framework Agreement**”) in relation to the provision of the relevant finance leasing service by the Company to Nanshan Group (a copy of which has been produced to the EGM marked “A” and initialed by the Chairman of the EGM for the purpose of identification), the transactions contemplated thereunder as well as the relevant annual caps be and are hereby approved, confirmed and ratified; and
- (2) each of the directors of the Company be and is hereby authorised to do all such further acts and things, negotiate, approve, agree, sign, initial, ratify and/or execute such further documents and take all steps which may be in their opinion necessary, desirable or expedient to implement and/or give effect to the terms of the Finance Leasing Framework Agreement and the transactions contemplated thereunder.”

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

Hong Kong, 19 December 2022

\* *For identification purpose only*

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## NOTICE OF THE EGM

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*Principal place of business in Hong Kong:*

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

*Notes:*

1. Any shareholder of the Company (the “**Shareholder**”) entitled to attend and vote at the EGM convened by the above notice is entitled to appoint another person as his proxy to attend and vote instead of him. The Shareholder who is the holder of two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be the Shareholder. A form of proxy for use at the EGM is enclosed herewith.
2. Where there are joint registered holders of any share, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at the EGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
4. The register of members of the Company will be closed from Wednesday, 4 January 2023 to Friday, 6 January 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attendance of the meeting, all completed transfer forms accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar of the Company, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 3 January 2023.
5. To be valid, the form of proxy and the power of attorney or other authority, if any, under which it is signed or a notarially certified copy of that power of attorney or authority must be deposited at the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours before the time for holding the EGM or any adjournment thereof.
6. Delivery of the form of proxy will not preclude the Shareholder from attending and voting in person at the EGM or any adjourned meeting or upon the poll concerned and, in such event, the instrument appointing a proxy will be deemed to be revoked.
7. A circular containing, among others things, details of the Finance Leasing Framework Agreement, the transactions contemplated thereunder as well as the relevant annual caps has been despatched to the Shareholders.
8. As at the date of this notice of EGM, 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.