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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

FINANCIAL HIGHLIGHTS

- For the year ended 31 December 2021, the profit for the year amounted to approximately RMB78.9 million, as compared with the profit of approximately RMB16.6 million for the year ended 31 December 2020.
- For the year ended 31 December 2021, the revenue amounted to approximately RMB231.8 million, representing a decrease of approximately 6.5% as compared with that of approximately RMB248.0 million for the year ended 31 December 2020.
- For the year ended 31 December 2021, the profit before tax amounted to approximately RMB122.9 million, compared with the profit before tax of approximately RMB12.8 million for the year ended 31 December 2020.
- As at 31 December 2021, the total assets amounted to approximately RMB2,436.5 million, representing a decrease of approximately 21.6% as compared with that of approximately RMB3,109.5 million as at 31 December 2020.
- As at 31 December 2021, the total shareholders' equity amounted to approximately RMB1,273.5 million, representing an increase of approximately 6.5% as compared with that of approximately RMB1,195.5 million as at 31 December 2020.
- For the year ended 31 December 2021, the return on equity was approximately 6.2%.
- For the year ended 31 December 2021, the return on total assets was approximately 3.2%.

The board (the “**Board**”) of directors (the “**Directors**”) of International Alliance Financial Leasing Co., Ltd. (the “**Company**”) is pleased to present the results of the Company and its subsidiaries (collectively, the “**Group**”) for the financial year ended 31 December 2021 and the comparative figures as follows.

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

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB’000	2020 RMB’000
Revenue	4	231,843	248,046
Other income, gains or losses	5	16,579	11,896
Total revenue and other income, gains or losses		248,422	259,942
Finance costs	6	(89,793)	(128,821)
Net exchange losses		(317)	(5,109)
Staff costs		(11,124)	(9,526)
Other operating expenses		(27,435)	(21,427)
Impairment losses reversed (recognised) on financial assets	7	3,103	(82,242)
Profit before tax	8	122,856	12,817
Income tax (expense) credit	9	(43,957)	3,793
Profit for the year		78,899	16,610
Other comprehensive expense: <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of financial statement of foreign operations		(875)	(4,232)
Total comprehensive income for the year		78,024	12,378
Earnings per share (Expressed in RMB Yuan per share)	11		
Basic and diluted		0.0526	0.0111

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	<i>Notes</i>	2021 RMB'000	2020 <i>RMB'000</i>
Non-current assets			
Plant and equipment		453	99
Right-of-use assets		763	2,068
Intangible assets		1,442	1,794
Finance lease receivables	<i>12</i>	994,471	1,376,356
Other receivables	<i>13</i>	—	3,500
Deferred tax assets	<i>14</i>	94,964	112,075
		1,092,093	1,495,892
Current assets			
Finance lease receivables	<i>12</i>	1,025,489	1,327,549
Financial asset at fair value through profit or loss	<i>15</i>	48,000	50,457
Prepayment and other receivables	<i>13</i>	29,130	27,278
Bank balances	<i>16</i>	241,822	208,330
		1,344,441	1,613,614
Current liabilities			
Bills and other payables	<i>17</i>	101,934	170,042
Deposits from finance lease customers	<i>12</i>	57,709	23,827
Lease liabilities		678	1,561
Income tax payables		17,219	30,010
Deferred income	<i>18</i>	13,040	9,948
Borrowings	<i>19</i>	169,920	930,145
		360,500	1,165,533
Net current assets		983,941	448,081
Total assets less current liabilities		2,076,034	1,943,973

		2021	2020
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Capital and reserves			
Share capital		10	10
Reserves		<u>1,273,464</u>	<u>1,195,440</u>
Total equity		<u>1,273,474</u>	<u>1,195,450</u>
Non-current liabilities			
Deposits from finance lease customers	<i>12</i>	162,196	174,078
Lease liabilities		—	692
Deferred income	<i>18</i>	14,404	14,872
Borrowings	<i>19</i>	<u>625,960</u>	<u>558,881</u>
		<u>802,560</u>	<u>748,523</u>
		<u><u>2,076,034</u></u>	<u><u>1,943,973</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL INFORMATION

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 19 January 2015, with a registered share capital of United States Dollar (“USD”) 50,000. The registered address of the Company is Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its controlling shareholder is Union Capital Pte. Ltd. (“**Union Capital**”), a company incorporated in Singapore. Union Capital is solely owned by Ms. Sui Yongqing. On 15 March 2019, the Company was listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) with the stock code of 1563.

The Group is principally engaged in offering finance lease service. The Company is an investment holding company.

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

BASIS OF PREPARATION

The annual results set out in this announcement do not constitute the Group’s financial statements for the year ended 31 December 2021 but are extracted from those financial statements.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“**IFRSs**”) issued by the International Accounting Standards Board (“**IASB**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

2. APPLICATION OF NEW AND AMENDMENTS TO IFRSs

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the IASB which are effective for the Group’s financial year beginning 1 January 2021:

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

Except as described below, the application of the amendments to IFRSs in the current year has had no material effect on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these consolidated financial statements.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, Interest rate benchmark reform — phase 2

The amendments provide targeted reliefs from (i) accounting for changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities as modifications, and (ii) discontinuing hedge accounting when an interest rate benchmark is replaced by an alternative benchmark rate as a result of the reform of interbank offered rates.

As at 1 January 2021, the Group has several financial liabilities, the interests of which are indexed to benchmark rates that will be subject to interest rate benchmark reform. The following table shows the total amounts of outstanding contracts. The amounts of financial liabilities are shown at their carrying amounts.

	USD London Interbank Offered Rate RMB'000
Financial liabilities	
Secured borrowings	<u>66,541</u>

The amendments have had no impact on the consolidated financial statements as none of the above contracts has been transitioned to the relevant replacement rates during the year and the secured borrowings were repaid during the year.

New and amendments to IFRS in issue but not yet effective

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

IFRS 17	Insurance Contracts and related Amendments ³
Amendments to IFRS 3	Reference to Conceptual Framework ²
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to IFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current ³
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to IAS 8	Definition of Accounting Estimates ³
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to IAS 16	Property, plant and Equipment: Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract ²
Amendment to IFRSs	Annual Improvements to IFRSs 2018–2020 cycle ²
Initial Application of IFRS 17 and IFRS 9	Comparative Information (Amendment to IFRS 17) ³

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

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

3. SEGMENT INFORMATION

The executive directors of the Company, being the chief operating decision maker (the “CODM”), considered that there was only one reportable operating segment, being the finance leasing business of the Group. Since the Group mainly provides finance lease services in the People’s Republic of China (the “PRC”), the operating segment has been identified on the basis of internal management reports prepared in accordance with accounting policies conforming with IFRSs and the CODM regularly reviews the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.

Geographical information

- (a) The revenues from external customers of the Group are mainly generated in the PRC.
- (b) The non-current assets are located in the PRC.

Information about major customers

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

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Customer A ¹	<u>98,892</u>	<u>80,905</u>

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

4. REVENUE

	2021 <i>RMB’000</i>	2020 <i>RMB’000</i>
Finance lease income	<u>231,843</u>	<u>248,046</u>

5. OTHER INCOME, GAINS OR LOSSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Government grants (<i>Note</i>)	10,919	8,916
Investment and interest income	5,282	2,747
(Loss) gain on disposal of plant and equipment	(14)	1
Others	392	232
	<u>16,579</u>	<u>11,896</u>

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

6. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interest expense on:		
— Borrowings	68,582	100,922
— Imputed interest on deposits from finance lease customers	18,583	3,892
— Bills payable	2,314	6,168
— Lease liabilities	314	416
— Bonds payable	—	17,423
	<u>89,793</u>	<u>128,821</u>

7. IMPAIRMENT LOSSES REVERSED (RECOGNISED) ON FINANCIAL ASSETS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Finance lease receivables	27,407	(79,658)
Other receivables	(24,304)	(2,584)
	<u>3,103</u>	<u>(82,242)</u>

8. PROFIT BEFORE TAX

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit before tax has been arrived at after charging (crediting):		
Directors' remuneration	3,278	3,093
Salaries, bonus and other employee benefits	6,156	5,326
Retirement benefits schemes contributions	1,690	1,107
	<hr/>	<hr/>
Total staff costs	11,124	9,526
	<hr/>	<hr/>
Auditors' remuneration	1,050	1,000
Depreciation of plant and equipment	1,185	10
Depreciation of right-of-use assets	1,305	4,765
Amortisation of intangible assets	352	352
Loss (gain) on disposal of plant and equipment	14	(1)
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9. INCOME TAX EXPENSE (CREDIT)

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current income tax		
PRC Enterprise Income Tax	26,846	35,922
Deferred income tax expense (credit)	17,111	(39,715)
	<hr/>	<hr/>
	43,957	(3,793)
	<hr/> <hr/>	<hr/> <hr/>

10. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2021, nor has any dividend been proposed since the end of the reporting period (2020: nil).

11. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year	<u>78,899</u>	<u>16,610</u>
Number of shares		
Weighted average number of shares in issue ('000)	<u>1,500,000</u>	<u>1,500,000</u>

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding during the years ended 31 December 2021 and 2020.

12. FINANCE LEASE RECEIVABLES

The Group entered into finance leasing arrangements as a lessor for certain equipment and aircrafts to its lessees. All interest rates inherent in the leases are fixed at the contract date over the lease terms.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Amounts receivable under finance leases		
Within 1 year	1,476,970	1,753,295
After 1 year but within 2 years	562,488	998,866
After 2 years but within 3 years	261,002	445,014
After 3 years but within 4 years	181,902	120,371
After 4 years but within 5 years	84,772	21,101
After 5 years	<u>23,477</u>	<u>106,411</u>
Gross investment in leases	2,590,611	3,445,058
Less: unearned finance income	<u>(310,162)</u>	<u>(453,223)</u>
Present value of minimum lease payments receivable	2,280,449	2,991,835
Less: allowance for impairment losses	<u>(260,489)</u>	<u>(287,930)</u>
	<u>2,019,960</u>	<u>2,703,905</u>
Analysed for reporting purposes as:		
Current assets	1,025,489	1,327,549
Non-current assets	<u>994,471</u>	<u>1,376,356</u>
	<u>2,019,960</u>	<u>2,703,905</u>

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

	2021			Total RMB'000
	Individual provisions as 12m ECL RMB'000	Individual provision as lifetime ECL not credit- impaired RMB'000	Individual provision as lifetime ECL credit- impaired RMB'000	
As at 1 January 2021	3,458	3,426	281,046	287,930
Changes due to finance lease receivables recognised in the opening balance that have:				
— Transferred to 12m expected credit loss (“ECL”)	2,556	(2,556)	—	—
— Transferred to Lifetime ECL not credit-impaired	—	20,984	(20,984)	—
Provided for the year	807	—	27,791	28,598
Reversal for the year	(4,034)	(21,619)	(30,352)	(56,005)
Foreign currency translation	—	—	(34)	(34)
Balance at 31 December 2021	<u>2,787</u>	<u>235</u>	<u>257,467</u>	<u>260,489</u>
Expected loss rate	<u>0.16%</u>	<u>0.31%</u>	<u>61.31%</u>	<u>11.42%</u>
	2020			Total RMB'000
	Individual provisions as 12m ECL RMB'000	Individual provision as lifetime ECL not credit- impaired RMB'000	Individual provision as lifetime ECL credit- impaired RMB'000	
As at 1 January 2020	5,310	1,118	202,328	208,756
Changes due to finance lease receivables recognised in the opening balance that have:				
— Transferred to Lifetime ECL not credit-impaired	(489)	30,895	(30,406)	—
— Transferred to Lifetime ECL credit-impaired	(705)	(16)	721	—
Provided for the year	1,574	167	146,250	147,991
Reversal for the year	(2,232)	(28,738)	(37,363)	(68,333)
Foreign currency translation	—	—	(484)	(484)
Balance at 31 December 2020	<u>3,458</u>	<u>3,426</u>	<u>281,046</u>	<u>287,930</u>
Expected loss rate	<u>0.17%</u>	<u>1.01%</u>	<u>41.89%</u>	<u>9.62%</u>

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

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

	2021			2020		
	Present value of finance lease receivables <i>RMB'000</i>	Expected credit losses <i>RMB'000</i>	Carrying amount <i>RMB'000</i>	Present value of finance lease receivables <i>RMB'000</i>	Expected credit losses <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
12m ECL	1,786,045	(2,787)	1,783,258	1,982,868	(3,458)	1,979,410
Lifetime ECL not credit-impaired (<i>Note a</i>)	74,456	(235)	74,221	338,040	(3,426)	334,614
Lifetime ECL credit-impaired (<i>Note b</i>)	419,948	(257,467)	162,481	670,927	(281,046)	389,881
	<u>2,280,449</u>	<u>(260,489)</u>	<u>2,019,960</u>	<u>2,991,835</u>	<u>(287,930)</u>	<u>2,703,905</u>

Notes:

- (a) The Group presumes that the credit risk on a finance lease receivable has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Group has transferred the 12m ECL of finance lease receivables into lifetime ECL not credit-impaired when contractual payments are past due more than 30 days and within 90 days.
- (b) When contractual payments are past due more than 90 days, the Group comprehensively considers the value of underlying assets, current and forecasts of general economic conditions of the industry in which the lessees operate and assessment of the ability of the lessees to fulfill their contractual cash flow obligations, to determine whether the finance lease receivables are credit-impaired. The Group has transferred the lifetime ECL not credit-impaired finance lease receivables into lifetime ECL credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that finance lease receivables have occurred.

- (iv) The Group entered into sale and repurchase agreements or clauses with certain counterparties with respect to some of the Group's finance lease receivables, and as a result recognised secured and unguaranteed borrowings. The carrying amounts of such finance lease receivables were approximately RMB326.7 million as at 31 December 2021 (2020: approximately RMB629.3 million). The details of such finance lease receivables are as follows:

	2021 RMB'000	2020 <i>RMB'000</i>
With secured and unguaranteed borrowings issued	326,710	629,263

The underlying assets at original cost of approximately USD115.8 million (equivalent to approximately RMB755.6 million) were pledged as collateral for the Group's secured and guaranteed borrowings as at 31 December 2020. The secured and guaranteed borrowings were early repaid during the year ended 31 December 2021.

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

	2021 RMB'000	2020 <i>RMB'000</i>
The amounts of deposits from finance lease customers	219,905	197,905
Analysed for reporting purposes as:		
Current liabilities	57,709	23,827
Non-current liabilities	162,196	174,078
	219,905	197,905

- (vi) As at 31 December 2021 and 2020, the annual internal rate of return and average yield of finance lease receivables are as follows:

	2021 RMB'000	2020 <i>RMB'000</i>
Annual internal rate of return	5.23%-12.55%	5.23%-12.55%
Average annual internal rate of return	7.32%	7.86%

- (vii) As at 31 December 2021 and 2020, the carrying amounts of floating rate of return finance lease receivables and fixed rate of return finance lease receivables are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Analysed for reporting purposes as:		
Floating rate of return	688,599	1,190,765
Fixed rate of return	<u>1,331,361</u>	<u>1,513,140</u>
	<u>2,019,960</u>	<u>2,703,905</u>

The floating rates of return of finance lease receivables were with reference to the benchmark interest rate of the People's Bank of China ("PBOC Rate") (2020: PBOC Rate or London Interbank Offered Rate ("LIBOR")). The rates of return of finance lease receivables were adjusted periodically with reference to the PBOC Rate (2020: PBOC Rate or LIBOR).

13. PREPAYMENT AND OTHER RECEIVABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Expenses paid on behalf of customers	46,045	23,127
Deductible value-added tax	19,853	6,581
Others	<u>770</u>	<u>13,852</u>
Subtotal	66,668	43,560
Less: allowance for impairment losses	<u>(37,538)</u>	<u>(12,782)</u>
	<u>29,130</u>	<u>30,778</u>
Analysed for reporting purposes as:		
Current assets	29,130	27,278
Non-current assets	<u>—</u>	<u>3,500</u>
	<u>29,130</u>	<u>30,778</u>

Movements of allowances for impairment losses are as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
At beginning of the year	12,782	10,246
Provided for the year	24,304	2,584
Foreign currency translation	<u>452</u>	<u>(48)</u>
At end of the year	<u>37,538</u>	<u>12,782</u>

As at 31 December 2021, the aircraft maintenance and some other miscellaneous expenses paid on behalf of customers amounted to approximately RMB46,045,000 (2020: RMB23,127,000) are credit-impaired financial assets and the ECL is provided at an amount equal to lifetime ECL of approximately RMB37,538,000 (2020: RMB12,782,000). The Group measures the loss allowance for remaining other receivables at an amount equal to 12m ECL.

14. DEFERRED TAX ASSETS

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Deferred tax assets	96,788	114,893
Deferred tax liabilities	<u>(1,824)</u>	<u>(2,818)</u>
	<u><u>94,964</u></u>	<u><u>112,075</u></u>

Movements in balances of deferred tax assets and liabilities

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Balance at beginning of the year	112,075	72,360
(Charge) credit to profit or loss	<u>(17,111)</u>	<u>39,715</u>
Balance at end of the year	<u><u>94,964</u></u>	<u><u>112,075</u></u>

15. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Financial asset at FVTPL comprises:		
Listed bond investment	<u><u>48,000</u></u>	<u><u>50,457</u></u>

The listed bond investment represents bonds investment listed in the PRC which is held for short-term trading purpose.

16. BANK BALANCES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Bank balances	241,822	208,330
Restricted bank balances	<u>(100,001)</u>	<u>(172,625)</u>
	<u>141,821</u>	<u>35,705</u>

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

Restricted bank balances represent deposits pledged to banks for borrowing. Deposits amounting to RMB100,001,000 (31 December 2020: RMB172,625,000) have been pledged to secure short-term bank loans and are therefore classified as current assets. The Group cannot use them until the related transactions are matured and released.

The restricted bank balances carry fixed interest rate of 2.25% (2020: 2.25%) per annum.

17. BILLS AND OTHER PAYABLES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Bills payables (<i>Note</i>)	100,000	168,000
Other tax payables	—	156
Accrued expenses	503	447
Others	<u>1,431</u>	<u>1,439</u>
	<u>101,934</u>	<u>170,042</u>

Note: The bills payables for acquisition of leased assets is repayable within one year and bearing fixed interest rate at 2.25% per annum. Such bills payables are aged within one year.

18. DEFERRED INCOME

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

19. BORROWINGS

	2021 RMB'000	2020 RMB'000
Secured and guaranteed borrowings (<i>note i</i>)	—	66,541
Secured and unguaranteed borrowings (<i>note ii</i>)	61,812	342,735
Unsecured and unguaranteed borrowings	734,068	1,079,750
Total	795,880	1,489,026
Represented by:		
Borrowing from banks	232,514	617,324
Borrowing from other institutions		
— Entrusted loans	—	821,702
Other borrowings (<i>note iii</i>)	563,366	50,000
Total	795,880	1,489,026
Represented by:		
Carrying amount repayable		
Within one year	169,920	930,145
More than one year, but not exceeding two years	325,206	392,643
More than two years, but not exceeding five years	300,754	166,238
	795,880	1,489,026
Less: amounts under current liabilities	(169,920)	(930,145)
Non-current liabilities	625,960	558,881

Notes:

i. Secured and guaranteed borrowings

Secured and guaranteed borrowings were secured by underlying assets of the Group, and were also guaranteed by Nanshan Group Co., Ltd. During the year ended 31 December 2021, the secured and guaranteed borrowings have been fully settled and the guarantee provided by Nanshan Group Co., Ltd. was released accordingly.

ii. Secured and unguaranteed borrowings

As at 31 December 2021 and 2020, the Group's secured and unguaranteed borrowings represented the Group's repurchase agreements with certain counterparties to sell Group's finance lease receivables.

iii. Other borrowings

Other borrowings represented unguaranteed and unsecured payable at a fixed rate of 4.5%–7.54% p.a. (2020: fixed rate of 4.5% p.a.) from independent third parties with three years (2020: three years) duration.

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Fixed-rate borrowings:		
Within one year	169,920	628,745
More than one year, but not exceeding two years	325,206	368,358
More than two years, but not exceeding five years	<u>300,754</u>	<u>147,516</u>
	<u><u>795,880</u></u>	<u><u>1,144,619</u></u>

During the year ended 31 December 2020, the Group's floating-rate was based on LIBOR. The maturity date was within 4 years. The secured and guaranteed borrowings were early repaid during the year ended 31 December 2021.

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

	2021	2020
Fixed-rate borrowing	3.80%–8.00%	3.80%–8.21%
Floating-rate borrowing	<u>—</u>	<u>3-month LIBOR +3.00%–3.25%</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

2021 was a critical year for the development of the finance leasing industry. The overall business environment in the People's Republic of China (the “PRC”) has been gradually improving from the unexpectedly severe COVID-19 pandemic. According to the National Bureau of Statistics of the PRC (中國國家統計局), China's GDP reached RMB114.4 trillion, with a year-on-year growth of 8.1%. The improvement in overall business environment facilitated lessees under finance leasing agreements, especially those in the healthcare industry, to make timely repayments, resulting in a net reversal of impairment losses on the Group's finance lease receivables.

The leasing industry is also affected by the change of market regulations and is undergoing structural adjustment. Since the China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) issued 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》) in 2020, industry supervision became more stringent. In 2021, various regions in the PRC have successively issued their regional implementation rules, which carefully took into account the actual situation of the regions to ensure and safeguard sustainable development of the industry. The regulatory requirements cover the issues and risks of finance leasing companies, focusing on due diligence, management of leased assets and capital investment. This development provided more certain supervision indicators, clearing out shell companies, and led to more effective reforms which are beneficial for healthier and more sustainable development in the industry as a whole.

In terms of data, as of the end of December 2021, the national balance of finance leasing contracts amounted to approximately RMB6.21 trillion, a continuous decrease from RMB6.50 trillion at the end of 2020 and RMB6.65 trillion at the end of 2019. By the end of 2021, the total number of finance leasing companies in China was 11,180 (end of 2020: 12,156), a year-on-year decrease of 8.0% (2020: an increase of 0.2%). The competition in the leasing industry, and hence the finance leasing industry, further intensified.

Based on the development of the financial leasing business environment as mentioned above, the Group builds on its existing customer base and develop its business by adhering to the principle of “quality over quantity” and actively seeks opportunities amid changes.

In 2021, the Group invested in new leasing projects moderately. The core work was still the effective management of its leased assets and key leasing projects, resulting in a substantial improvement in the overall performance of the Group. Further, the Group started expanding or diversifying its service channels. For example, the Group expanded its customer base to petroleum business in April 2021. On the other hand, the Group has been exploring to acquire businesses beyond the purview of finance leasing, especially those provide stable cash flow, so as to supplement the Group's existing finance leasing business squarely in providing a natural hedge to the Group's financial liquidity. In April 2021, the Company and Nanshan Group Co., Ltd.* (南山集團有限公司) entered into a memorandum of understanding regarding acquisition of the sponsor's interest in Yantai Nanshan University* (煙台南山學院) (the “**Proposed Acquisition**”). For further details, please refer to the Company's announcements regarding the Proposed Acquisition dated 19 April 2021, 18 June 2021, 17 August 2021 and 15 December 2021.

2021 was the first year of the “14th Five-Year Plan”. China's manufacturing industry is undergoing transformation and equipment upgrading, and evolution from traditional manufacturing to digital and intelligent manufacturing. It is expected to promote a new round of rapid growth in the next five years. As such, demand for financing will remain strong. As one of the common medium- and long-term financing tools in the manufacturing industry, the Group will continue to cultivate in key industries. In addition, the overall penetration rate of leasing in the Chinese market is still far lower than that of European and American markets, industry development potential is still relatively large. Overall, the financial leasing industry has huge potential and a very bright prospect.

The Group will continue to pay close attention to the market changes in finance leasing industry, adjust its business strategies in a timely manner, expand and diversify its business scope, actively adjust the speed of business development, give priority to risk prevention and control at appropriate times, and strengthen the project approval committee's role in project selection. It is committed to improving and enhancing the level of asset management, diversifying customer and project categories, improving the quality of its cashflows and reducing overall asset risk.

FINANCIAL REVIEW

Revenue

The Group's revenue mainly derived from finance lease income. The Group's finance leasing services included sale-leaseback and direct finance leasing.

Revenue decreased by approximately 6.5% from approximately RMB248.0 million for the year ended 31 December 2020 to approximately RMB231.8 million for the year ended 31 December 2021. Such decrease was mainly because the Group has been more cautious in selecting quality customers and approving new projects as a result of the change of finance leasing business environment as mentioned under the section headed “Business Overview”.

Other income, gains or losses

Other income, gains or losses, which primarily derived from (i) government grants; (ii) investment and interest income; (iii) gain or loss (where applicable) on disposal of plant and equipment; and (iv) others, increased from approximately RMB11.9 million for the year ended 31 December 2020 to approximately RMB16.6 million for the year ended 31 December 2021.

Specifically, the government grants, which are subject to change depending on the tax payment every year, increased from approximately RMB8.9 million for the year ended 31 December 2020 to approximately RMB10.9 million for the year ended 31 December 2021; the investment and interest income increased from approximately RMB2.7 million for the year ended 31 December 2020 to approximately RMB5.3 million for the year ended 31 December 2021; and others increased from approximately RMB0.2 million for the year ended 31 December 2020 to approximately RMB0.4 million for the year ended 31 December 2021, offset by loss on disposal of plant and equipment amounted to approximately RMB14,000 for the year ended 31 December 2021, as compared to gain on disposal of plant and equipment of approximately RMB1,000 for the year ended 31 December 2020.

Staff costs

Staff costs primarily included employee salaries and the related costs of other benefits. The staff costs increased by approximately RMB1.6 million from approximately RMB9.5 million for the year ended 31 December 2020 to approximately RMB11.1 million for the year ended 31 December 2021. The increase in staff costs was mainly a consequence of the full-year effect of the increased number of staff in 2021 after setting up the wholly-owned subsidiary located in Shenzhen in August 2020. Number of staff remained stable as at 31 December 2021 at 32 (as at 31 December 2020: 33).

Other operating expenses

Other operating expenses primarily included rental expenses, entertainment expenses, legal and professional fees and travelling expenses. For the year ended 31 December 2021, the other operating expenses amounted to approximately RMB27.4 million (2020: approximately RMB21.4 million), representing approximately 11.8% of the total revenue of the Group (2020: approximately 8.6%).

Finance costs

Finance costs primarily derived from (i) borrowings; (ii) imputed interest on deposits from finance lease customers; (iii) bills payables; (iv) lease liabilities; and (v) bonds payable (for the year ended 31 December 2020 only). The finance costs decreased by approximately 30.3% from approximately RMB128.8 million for the year ended 31 December 2020 to approximately RMB89.8 million for the year ended 31 December 2021. The decrease in finance costs was mainly a result of the decrease in borrowing costs by approximately 32.0% from approximately RMB100.9 million for the year ended 31 December 2020 to approximately RMB68.6 million for the year ended 31 December 2021, and the decrease in bonds payable from approximately RMB17.4 million for the year ended 31 December 2020 to nil for the year ended 31 December 2021, which was due to the repayment of the bonds payable.

Profit for the year

Net profit was mainly attributed to a net reversal in impairment losses on finance lease receivables due to the gradually improving business environment in overall in the People's Republic of China (the "PRC") facilitating the lessees, particularly in the healthcare industry, to make timely repayments.

Net profit for the year ended 31 December 2021 amounted to approximately RMB78.9 million, as compared to approximately RMB16.6 million for the year ended 31 December 2020, representing a significant increase of approximately 3.75 times. The net profit margin for the year ended 31 December 2021 was 34.0%, as compared to 6.7% recorded for the year ended 31 December 2020, which was, as mentioned above, mainly a result of the net reversal of impairment loss provided for the finance lease receivables during the year.

Dividend

The Board did not recommend payment of any final dividend to shareholders of the Company for the year ended 31 December 2021 (2020: nil).

Liquidity, financial resources and capital resources

As at 31 December 2021, the cash and cash equivalents amounted to approximately RMB141.8 million (31 December 2020: approximately RMB35.7 million). Working capital (current assets less current liabilities) and the total equity of the Group amounted to approximately RMB983.9 million (31 December 2020: approximately RMB448.1 million) and approximately RMB1,273.5 million (31 December 2020: approximately RMB1,195.5 million), respectively.

As at 31 December 2021, the Group's borrowings due within one year amounted to approximately RMB169.9 million (31 December 2020: approximately RMB930.1 million) and the Group's borrowings due after one year amounted to approximately RMB626.0 million (31 December 2020: approximately RMB558.9 million).

As at 31 December 2021, the gearing ratio (dividing the total indebtedness by total equity and indebtedness as at the end of the period) was approximately 38.5% (31 December 2020: approximately 55.5%). Such decrease was mainly due to the decrease in the borrowings and bonds payable compared with the scale of the Group's business.

Finance lease receivables

Finance lease receivables are mainly (i) gross amount of finance lease receivables; offset by (ii) unearned finance income; and (iii) allowance for impairment losses. As at 31 December 2021, the respective carrying amounts of such components of the finance lease receivables amounted to (i) approximately RMB2,590.6 million; (ii) approximately RMB310.2 million; and (iii) approximately RMB260.5 million (as at 31 December 2020, the respective carrying amounts of such components of the finance lease receivables amounted to (i) approximately RMB3,445.1 million; (ii) approximately RMB453.2 million; and (iii) approximately RMB287.9 million).

The finance lease receivables decreased by approximately 25.3% from approximately RMB2,703.9 million for the year ended 31 December 2020 to RMB2,020.0 million for the year ended 31 December 2021, mainly due to a decrease in the gross amount of finance lease receivables.

The allowances for impairment losses decreased by approximately 9.5% from approximately RMB287.9 million as at 31 December 2020 to approximately RMB260.5 million as at 31 December 2021.

Background information of the lessees which was relevant to the impairment recorded during the year

One customer, which was in the aviation industry, (2020: eight customers, six of which in the healthcare industry and two of which in the aviation industry) was unable to repay the relevant rental fees for the financial year ended 31 December 2021. Accordingly, the Group made provision for impairment under IFRS 9 — Financial instruments to reflect the outstanding sum during the year.

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

Consistent with practices in previous financial years, in the financial year ended December 2021, the Group has assessed the general ageing of finance lease receivables and took prudent measures to recover the outstanding rental fee. Such measures included demanding repayments by telephone calls and physical visits, as well as instituting legal proceedings, etc.

Due to the gradually improving business environment in the PRC facilitating the lessees, particularly those in the healthcare industry, to make timely repayments, it led to a net reversal in impairment losses on finance lease receivables for the year ended 31 December 2021.

The Board is of the view that the reversal of impairment losses for the year ended 31 December 2021 is fair and reasonable because (a) it is in line with the relevant accounting policies under IFRS; and (b) it is in conformity of the market situation and reflecting the Company's situation.

The methods and basis used in determining the amount of the impairment

The Group's main business entity is a financial leasing company, which adopts a three-stage model to measure expected credit losses in accordance with the requirements of the new financial instrument standards. The amount of expected credit losses is updated on each reporting date to reflect the changes in credit risk since the initial recognition. The Group calculates the provision of loss based on 12-month expected credit loss, unless the credit risk has increased significantly since the initial recognition, the Group recognises the existence of expected credit loss. The assessment of whether the expected credit loss of the duration should be recognised is based on the substantial increase in the probability or risk of default since the initial recognition. The expected credit loss model and the estimation or calculation formula of relevant parameters for the receivable financial lease funds are as follows:

$$ECL = EAD \times PD \times LGD \times DF$$

EAD: Present value of minimum lease payment receivable minus security deposit

PD: Probability of Default refers to the possibility that the borrower cannot repay the principal and interest of the financial lease or perform relevant obligations according to the contract requirements within a certain period of time in the future. The probability of default is the base for calculating the expected loss of finance lease receivable. The Group will base on the measurement method of its internal credit rating historical data and consider the rating of the companies according to the credit rating historical data accumulated over a long period of time, including past repayment records, current and previous financial data and leased property value, etc, by taking the average value of historical probability of default as the corresponding default probability of such companies under different credit ratings.

LGD: Loss Given Default is an estimate of loss arising on default, which is obtained by mapping the main scale of external rating. The regulatory reference value and peer practice under the primary credit risk method are adjusted in combination with the Company's business characteristics. The LGD in the Group's impairment model is set

based on the regulatory reference value, the LGD of peers, and the fact that the Company's collection strength will be lower than that of banks and financial institutions in combination with expert experience.

$DF:1/(1+EIR)^{t-1}$, where EIR is the effective interest rate of the contract, and t is the remaining term.

Based on the International Financial Reporting Standards, the Group made a relatively reasonable estimation on the recovery of future funds from a prudent perspective, and provided appropriate amount of impairment allowance.

In case that certain lessees failed to repay on time, the Group adopted actions, like active on-site collection or legal actions to minimise the chance of making impairment allowance. Further, the Group deployed different means to recover impaired finance lease receivables. Please refer to the Company's announcement dated 27 May 2020 and the paragraph headed "The Company's measures of recovering the impaired finance lease receivables" below for further details. With the measures taken by the Group and the timely repayment of certain lessees, particularly those in healthcare industry, as a result of the improving business environment, the allowances for impairment loss for the year ended 31 December 2021 decreased.

The Company's measures of recovering the impaired finance lease receivables

The Company classifies the overdue repayment cases into three categories and deploys different means (subject to the travel restrictions imposed due to the COVID-19) to recover the impaired finance lease receivables accordingly, details of which are summarised as follows:

1. category 1: 30 days or less past due — the Company demands repayment by telephone and physically visiting the customers, to negotiate a deadline for the customers to repay all overdue amount;
2. category 2: 30 to 90 days past due — the Company enhances the recovery method by demanding repayment by telephone and physically visiting the customers frequently, as well as issuing pre-action letter to recover overdue amount; and
3. category 3: 90 days or more past due — the Company will issue pre-action letter and institute legal proceedings against the relevant customers to recover outstanding sums as well as penalty, liquidated damages and other expenses as permitted under the laws of PRC. The Company may also negotiate a new repayment schedule with the relevant customers to recover the outstanding sums abovementioned, and even dispose of the leased assets and demand the difference between the sale proceeds and the outstanding sums from the relevant customers.

Finance lease commitments

As at 31 December 2021, the Group had no finance lease commitments (31 December 2020: nil).

Employees and remuneration policy

As at 31 December 2021, the Group employed 32 full time employees (31 December 2020: 33) for its principal activities. Employees' benefits expenses (including Directors' emoluments) amounted to approximately RMB11.1 million for the year ended 31 December 2021 (2020: approximately RMB9.5 million).

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

RISK MANAGEMENT

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

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 finance leasing 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 a finance leasing project is approved. The asset management team reviews the leased assets on a regular basis, including performing on-site visits to inspect the status of the leased asset. This continuous review process enables the Group to identify any potential default of its customers and take remedial actions to enhance the security of its assets at an early stage.

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

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

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

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

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

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

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

CONTINGENT LIABILITIES

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

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on 15 March 2019. The actual net proceeds (the “**Net Proceeds**”) from the global offering of the 495,000,000 new shares of the Company were approximately HK\$354.3 million (equivalent to approximately RMB319.2 million). As disclosed in the section headed “Future Plans and Use of Proceeds — Use of Proceeds” in the prospectus of the Company dated 28 February 2019 (the “**Prospectus**”), the Company intended to use the Net Proceeds as follows:

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

The details of the use of Net Proceeds and the timeline of utilisation of the Net Proceeds are set out as follows:

As at 31 December 2021

Use of Net Proceeds	Planned amount use of the Net Proceeds (RMB’ million) (Note)	Utilised amount (RMB’ million)	Unutilised amount (RMB’ million)	Timeline of utilisation of Net Proceeds
The Group’s business operation expansion in healthcare industry	159.6	159.6	—	Fully utilised in 2021
The Group’s business operation expansion in aviation and public infrastructure industries	127.7	127.7	—	Fully utilised in 2020
The Group’s general working capital	31.9	31.9	—	Fully utilised in 2021
Total	<u>319.2</u>	<u>319.2</u>	<u>—</u>	

Note: The translation of Renminbi into Hong Kong dollars was based on the rate of RMB1.00 to HK\$1.11.

As at 31 December 2021, the Group has fully utilised all of the Net Proceeds.

SHARE OPTION SCHEME

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

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

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

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of Share Option to Directors, chief executives and substantial shareholders of the Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of a Share Option to any participant as the Board may determine. The number of Shares which may be issued pursuant to the exercise of the Share Option to be granted under the Share Option Scheme is 150,000,000 in total. There was no Share Option outstanding under the Share Option Scheme nor was any Share Option granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme for the six months ended 30 June 2021.

EVENTS AFTER THE REPORTING PERIOD

No significant event after the reporting period is noted.

OUTLOOK AND PLANS

Looking forward to 2022, the Board estimates the economy in the PRC will continue to gradually improve and the finance leasing industry will be under sustainable development and have huge potential and bright prospect. Please refer to the section headed “Business Overview” for further details.

The Group will continue to focus on its internal control and risk management based on the principles of risk prevention and asset monitoring reinforcement and strengthening internal management and improving various systems, while continuing to steadily promote its business development, expansion and diversification.

The Board will strive for new breakthroughs in terms of industry and geographic coverage by improving the corporate governance mechanism; and on the condition of compliance with the Rules governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), strengthening its risk control, enhancing asset management capability, further forging a professional and high-quality talent team to seize development opportunities and actively develop new customers (including expanding to new industries outside of the existing customer base of the Group). The Group will also endeavour to maintain the relationship with existing customers and explore opportunities to deepen cooperation with quality customers, in order to achieve steady and long-term development of the Group’s finance leasing business.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The annual general meeting of the Company (the “**Annual General Meeting**”) will be held on Tuesday, 24 May 2022. A notice convening the Annual General Meeting will be published and dispatched to the shareholders of the Company in due course according to the requirements of the Listing Rules. The register of members of the Company will be closed from Thursday, 19 May 2022 to Tuesday, 24 May 2022 (both dates inclusive) for the purpose of determining shareholders’ entitlement to attend and vote at the Annual General Meeting. In order to qualify for attending and voting at the Annual General Meeting, all properly 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 Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Wednesday, 18 May 2022.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 of the Listing Rules (the “**Model Code**”). The Company will periodically issue notices to its Directors reminding them of the general prohibition on dealing in the Company’s listed securities during the blackout periods before the publication of announcements of financial results. The Company has made specific enquiry of the Directors and all of the Directors confirmed that they have complied with the Model Code throughout the year ended 31 December 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules. Throughout the year ended 31 December 2021, the Company had complied with all code provisions in the CG Code and had adopted most of the recommend best practices set out in the CG Code.

AUDIT COMMITTEE

The Company has an audit committee (the “**Audit Committee**”) which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors. The members of the Audit Committee are Mr. Liu Xuewei, Mr. Liu Changxiang and Mr. Jiao Jian. The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2021.

SCOPE OF WORK OF AUDITOR

The figures in respect of the consolidated statement of profit or loss, consolidated statement comprehensive income, consolidated statement of financial position of the Group, and the related notes thereto for the year as set out in this announcement have been agreed by its auditors, SHINEWING (HK) CPA Limited (“**Shinewing**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Shinewing in this respect did not constitute audits, reviews and other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Shinewing on this announcement.

PUBLICATION OF INFORMATION

This announcement is published on the websites of the Company (www.iaf-leasing.com) and the Stock Exchange (www.hkexnews.hk), respectively. The annual report of the Company for the financial year ended 31 December 2021 will be despatched to shareholders of the Company and available on the above websites in due course.

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

Hong Kong, 29 March 2022

As at the date of this announcement, the executive Directors are Mr. Li Luqiang and Mr. Liu Zhenjiang; the non-executive Director is Mr. Jiao Jianbin; and the independent non-executive Directors are Mr. Liu Changxiang, Mr. Liu Xuewei, Mr. Jiao Jian and Mr. Shek Lai Him Abraham.

** For identification purpose only*