



**INTERNATIONAL ALLIANCE
FINANCIAL LEASING CO., LTD.**

国际友联融资租赁有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code : 1563



INTERIM REPORT 2021

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CORPORATE INFORMATION

COMPANY NAME

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

STOCK CODE

1563

BOARD OF DIRECTORS

Executive Directors

Mr. LI Luqiang (*Chief Executive Officer*)
Mr. LI Zhixuan

Non-Executive Directors

Mr. JIAO Jianbin

Independent Non-Executive Directors

Mr. LIU Changxiang
Mr. LIU Xuewei
Mr. JIAO Jian
Mr. SHEK Lai Him Abraham
(appointed on 28 July 2021)

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. YUEN Kin Shan

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

COMPANY WEBSITE

www.iaf-leasing.com

AUDITOR

SHINEWING (HK) CPA Limited
Registered Public Interest Entity Auditor

HONG KONG LEGAL ADVISOR

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen’s Road East
Hong Kong

PRINCIPAL BANKS

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

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

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

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

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Other income

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

MANAGEMENT DISCUSSION AND ANALYSIS

Staff costs

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

Other operating expenses

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

Finance costs

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

In particular, (i) the borrowing costs decreased by approximately 27.0% from approximately RMB54.5 million for the six months ended 30 June 2020 to approximately RMB39.8 million for the six months ended 30 June 2021, which was mainly due to the decrease in borrowings balance; (ii) no interest expenses arising from bonds payable during the Reporting Period (approximately RMB9.7 million for the six months ended 30 June 2020) due to the maturity of a bond payable in 2020; which is offset by the fact that (iii) the Group incurred imputed interest on deposits from finance lease customers of RMB7.7 million for the six months ended 30 June 2021, representing an increase of approximately 14.9% from approximately RMB6.7 million for the six months ended 30 June 2020.

Profit for the Reporting Period

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

Dividend

The board (the “**Board**”) of directors of the Company (the “**Directors**”) did not recommend the payment of any interim dividend for the six months ended 30 June 2021 (for the six months ended 30 June 2020: nil).

Liquidity, financial resources and capital resources

As at 30 June 2021, the cash and cash equivalents amounted to approximately RMB43.1 million (31 December 2020: approximately RMB35.7 million). The total balance of borrowings decreased from RMB1,489.0 million as at 31 December 2020 to RMB988.2 million as at 30 June 2021. Working capital (current assets less current liabilities) and the total equity of the Group amounted to approximately RMB699.7 million (31 December 2020: approximately RMB448.1 million) and approximately RMB1,241.9 million (31 December 2020: approximately RMB1,195.5 million), respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 June 2021, the Group's borrowings due within one year amounted to approximately RMB616.1 million (31 December 2020: approximately RMB930.1 million) and the Group's borrowings due after one year amounted to approximately RMB372.1 million (31 December 2020: approximately RMB558.9 million).

As at 30 June 2021, the gearing ratio (dividing the total indebtedness by total equity and indebtedness as at the end of the relevant period) was approximately 44.3% (31 December 2020: approximately 55.5%). Such decrease was mainly due to the decrease in borrowings.

Finance lease receivables

Finance lease receivables consisted of (i) gross amount of finance lease receivables, (ii) unearned finance income; and (iii) allowances for impairment losses. As at 30 June 2021, the respective carrying amounts of each of the above amounted to (i) approximately RMB2,864.3 million, (ii) approximately RMB347.5 million; and (iii) approximately RMB276.9 million, respectively. The finance lease receivables decreased by approximately 17.2% from approximately RMB2,703.9 million as at 31 December 2020 to approximately RMB2,239.9 million as at 30 June 2021. The allowances for impairment losses decreased by approximately 3.8% from approximately RMB287.9 million as at 31 December 2020 to approximately RMB276.9 million as at 30 June 2021.

Foreign currency risk

The Group is exposed to foreign currency risk primarily through finance leases, cash, bank deposits and bank loans that are denominated in a currency other than the functional currency, Renminbi, of the operations to which they relate. The currency giving rise to this risk is primarily the US Dollar. The Directors do not expect any significant impact from the change in exchange rates since the Group uses foreign currencies received from lessees to settle the foreign loans which naturally mitigates the exchange rate risk.

In addition, the Group will consider the difference in interest rates and fluctuations in the exchange rates of foreign currency denominated and local currency-denominated loan balance, and the need to mitigate the risk through low-risk forward contracts, in order to strike a balance between the exposure to the variations in interest costs and fluctuations in foreign exchange rates.

Charge of assets

As at 30 June 2021, save as disclosed in this interim report, including but not limited to Note 15 to the unaudited condensed consolidated financial statements, the Group did not have any charge of assets.

Contingent liabilities

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

EMPLOYEES AND REMUNERATION POLICY

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

The Group recognises the importance of retaining high calibre and competent staff and continuing to provide remuneration packages to employees with reference to the performance of the Group, the performance of individual employees and prevailing market rates. Other type of benefits, such as medical and retirement benefits,

MANAGEMENT DISCUSSION AND ANALYSIS

are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company. Please refer to the section headed "Share Option Scheme" below for further details.

RISK MANAGEMENT

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

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

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

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

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

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 the International Financial Reporting Standards 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.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

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

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

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

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

Notes:

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

MANAGEMENT DISCUSSION AND ANALYSIS

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

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSAL AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

In January 2021, the Group disposed a Gulfstream GV-SP (G550) aircraft (the "**Aircraft**") at a consideration of approximately US\$23.2 million to Avjet Global Sales, LLC, an independent third party. After the disposal, the sale proceeds were applied to recover part of the shortfall under the finance lease agreement regarding the assignment and lease of the Aircraft dated 30 August 2016. For further details, please refer to the Company's announcements dated 22 January 2021 and 10 March 2021.

Save for those disclosed in this report, there was no significant investment held, nor was there any material acquisitions or disposals during the Reporting Period.

EVENTS AFTER THE REPORTING PERIOD

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

OUTLOOK AND PLANS

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

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

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

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

* English name is for identification purpose only.

OTHER INFORMATION

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

BOARD COMMITTEES

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

Audit Committee

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

During the Reporting Period, the Company has held three meetings of Audit Committee in March 2021, March 2021 and April 2021 and all three members of the Audit Committee attended all meetings. The Audit Committee reviewed the internal controls and results of the Group for the year ended 31 December 2020 and proposed adoption of the same by the Directors. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and risk management and other matters.

The Audit Committee has reviewed the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2021.

Remuneration Committee

The Company established the Remuneration Committee with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the CG Code. The Remuneration Committee has three members, namely Mr. LIU Changxiang (劉長祥), Mr. JIAO Jian (焦健) and Mr. LIU Xuewei (劉學偉). Mr. LIU Changxiang (劉長祥), an INED, has been appointed as the chairman of the Remuneration Committee. The primary duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangements. During the Reporting Period, the Company has held one meeting of Remuneration Committee in April 2021 and all three members of the Remuneration Committee attended the meeting. During the meeting, the Remuneration Committee had reviewed the current remuneration of some of the Directors and made recommendations to the Board. The Board has adopted the recommendations from the Remuneration Committee. In addition, in July 2021, the Company has held another meeting of Remuneration Committee and all three members of the Remuneration Committee attended the meeting. During the meeting, the Remuneration Committee had approved and recommended to the Board the remuneration entitled by Mr. Shek Lai Him Abraham as an INED.

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Nomination Committee

The Company established the Nomination Committee with written terms of reference in compliance with the CG Code. The Nomination Committee has three members, namely Mr. LIU Xuewei (劉學偉), Mr. JIAO Jian (焦健) and Mr. LIU Changxiang (劉長祥). Mr. LIU Xuewei (劉學偉), an INED, has been appointed as the chairman of the Nomination Committee. The primary duties of the Nomination Committee are to make recommendations to the Board on the appointments of the Directors, assess the independence of the INEDs, take up references and consider related matters. During the Reporting Period, the Company has held one meeting of Nomination Committee in April 2021 and all three members of the Nomination Committee attended the meeting. During the meeting, the Nomination Committee had reviewed the independence of INEDs and made recommendations of directors for election in the annual general meeting. In addition, in July 2021, the Company has held another meeting of Nomination Committee and all three members of the Nomination Committee attended the meeting. During the meeting, the Nomination Committee had approved and recommended to the Board the appointment of Mr. Shek Lai Him Abraham as an INED with effect from 28 July 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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

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

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

SHARE OPTION SCHEME

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

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

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

OTHER INFORMATION

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of Share Option to Directors, chief executives and substantial shareholders of the Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of a Share Option to any participant as the Board may determine. The number of shares of the Company (the “**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.

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

As at 30 June 2021, the interests or short positions of the Directors and chief executive of the Company and their associates in the Shares, underlying Shares and debentures of the Company or associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) (the “**SFO**”) as defined below) which will be required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered into the register referred to in that section, or which will be required, pursuant to Securities Dealing Code, to be notified to the Company and the Stock Exchange, were as follows:

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

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

Notes:

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

Save as disclosed above, as at 30 June 2021, none of the Directors or chief executives of the Company and/or any of their respective associates had any interest and short position in the Shares, underlying Shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or to the Model Code.

OTHER INFORMATION

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

As at 30 June 2021, the following parties (other than the Directors and chief executive of the Company as disclosed above) had interests of 5% or more of the issued share capital of the Company as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions in Shares/underlying Shares

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

Notes:

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

Save as disclosed above, the Company had not been notified of any other interests or short positions being held by any substantial shareholder in the Shares or underlying Shares as at 30 June 2021.

OTHER INFORMATION

CHANGE IN DIRECTOR'S INFORMATION

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

Mr. Shek Lai Him Abraham has been appointed as an independent non-executive Director on 28 July 2021. For further details, please refer to announcement in relation to the appointment of independent non-executive Director dated 28 July 2021.

REVIEW OF INTERIM FINANCIAL INFORMATION

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

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

Hong Kong, 26 August 2021

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

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

Notes:

- (i) Share premium represented the difference between the shareholders' contribution and issued capital.
- (ii) Capital reserve represented the difference between the nominal value of the issued share capital of the Company and its subsidiaries and the net assets value of the subsidiaries of the Group, upon completion of the group reorganisation.
- (iii) Under the People's Republic of China (the "PRC") Law, subsidiaries of the Group established in the PRC are required to transfer 10% of their net profit determined under the generally accepted accounting principles in the PRC to a non-distributable statutory reserve. Statutory surplus reserve can be used to make up for previous year's losses or converted into additional capital. When the balance of such reserve reaches 50% of the capital, any further appropriation is optional.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

1. GENERAL INFORMATION

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

The Company and its subsidiaries (together, the “**Group**”) are principally engaged in offering finance lease service. The Company is an investment holding company.

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

4. SEGMENT INFORMATION

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

Geographical information

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

Information about major customers

There was no single customer who contributed 10% or more of the total revenue to the Group for the six months ended 30 June 2021 and 2020.

5. REVENUE

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

6. OTHER INCOME

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

7. FINANCE COSTS

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

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

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

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

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

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

9. PROFIT (LOSS) BEFORE INCOME TAX

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

10. INCOME TAX (EXPENSE) CREDIT

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

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

11. DIVIDENDS

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

12. EARNINGS (LOSS) PER SHARE

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

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

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

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

14. FINANCE LEASE RECEIVABLES

The minimum lease receivables are set out below:

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

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

	For the six months ended 30 June 2021			
	Individual provisions 12 months ECL RMB'000	Individual provision lifetime ECL not credit- impaired RMB'000	Individual provision as lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2021 (audited)	3,458	3,426	281,046	287,930
Changes due to finance lease receivables recognised in the opening balance that have:				
— Transferred from Lifetime ECL not credit-impaired	2,287	(2,287)	—	—
— Transferred from Lifetime ECL credit-impaired	—	13,143	(13,143)	—
— Transferred to Lifetime ECL credit-impaired	—	(193)	193	—
Provided for the year (Note)	654	—	33,169	33,823
Reversal for the year (Note)	(2,884)	(13,563)	(28,391)	(44,838)
Foreign currency translation	—	(22)	—	(22)
Balance at 30 June 2021 (unaudited)	3,515	504	272,874	276,893
Expected loss rate	0.19%	0.39%	54.22%	11.00%

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

14. FINANCE LEASE RECEIVABLES (Continued)

	For the year ended 31 December 2020			
	Individual provisions 12 months ECL RMB'000	Individual provision lifetime ECL not credit- impaired RMB'000	Individual provision as lifetime ECL credit-impaired RMB'000	Total RMB'000
As at 1 January 2020 (audited)	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 (Note)	1,574	167	146,250	147,991
Reversal for the year (Note)	(2,232)	(28,738)	(37,363)	(68,333)
Foreign currency translation	—	—	(484)	(484)
Balance at 31 December 2020 (audited)	3,458	3,426	281,046	287,930
Expected loss rate	0.17%	1.01%	41.89%	9.62%

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

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

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

	As at 30 June 2021 (Unaudited)			As at 31 December 2020 (Audited)		
	Present value of finance lease receivables RMB'000	Expected credit losses RMB'000	Carrying amount RMB'000	Present value of finance lease receivables RMB'000	Expected credit losses RMB'000	Carrying amount RMB'000
12 months ECL	1,884,870	(3,515)	1,881,355	1,982,868	(3,458)	1,979,410
Lifetime ECL not credit-impaired	128,673	(504)	128,169	338,040	(3,426)	334,614
Lifetime ECL credit-impaired	503,266	(272,874)	230,392	670,927	(281,046)	389,881
	2,516,809	(276,893)	2,239,916	2,991,835	(287,930)	2,703,905

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

14. FINANCE LEASE RECEIVABLES *(Continued)*

Notes:

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

15. BANK BALANCES

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

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

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

16. BORROWINGS

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

17. SHARE CAPITAL OF THE COMPANY

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

18. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

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

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

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

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

Fair value measurements and valuation processes *(Continued)*

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

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

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

19. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

The name and the relationship of other related parties

Name of related parties	Relationship
Nanshan Group and its subsidiaries	<i>Note</i>

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

19. RELATED PARTY TRANSACTIONS *(Continued)*

Transaction with related parties

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

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

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

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

Finance lease receivables from related parties

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

Guarantee from related parties

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2021

19. RELATED PARTY TRANSACTIONS *(Continued)*

Compensation to key management personnel

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

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

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