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

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ANNUAL REPORT 2021

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CORPORATE INFORMATION

COMPANY NAME

International Alliance Financial Leasing Co., Ltd.

STOCK CODE

1563

BOARD OF DIRECTORS

Executive Directors

Mr. LI Luqiang *(Chief Executive Officer)*
Mr. LI Zhixuan (resigned on 6 September 2021)
Mr. LIU Zhenjiang (appointed on 6 September 2021)

Non-Executive Director

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 Central
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
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

CEO STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of International Alliance Financial Leasing Co., Ltd. (the "Company"), I hereby present to the shareholders of the Company (the "Shareholders") the annual report of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2021 (the "Reporting Period").

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 lingering influence of the severe COVID-19 pandemic. The leasing industry is also affected by the change of market regulations and is undergoing structural adjustment. The latest regulatory requirements focus on areas in due diligence, management of leased assets and capital investment of finance leasing companies. These led to more effective reforms which are beneficial for healthier and more sustainable development in the industry as a whole. 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.

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. 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 during the Reporting Period. At the same time, with the collective effort of all employees, there was no new non-performing project during the Reporting Period. Hence, the Group recorded a significant improvement in its profit for the year.

Based on the development of the financial leasing business environment, the Group will continue to build on its existing customer base and develop its business by adhering to the principle of "quality over quantity" and actively seek opportunities amid changes. The Group also started expanding or diversifying its service channels, and exploring to acquire businesses beyond the purview of finance leasing during the Reporting Period, so as to explore and nurture synergies for the financial leasing business of the Group. Going forward, the financial leasing industry has huge potential in serving the traditional economy and this presents a very bright prospect for the development of the Group.

Finally, on behalf of the Board, I would like to express our sincere gratitude towards the Shareholders, business partners, customers and all staff of the Group for their continuous support. The Company will do its utmost to improve the Group's performance, expand its business scope and create greater value for the Shareholders and all stakeholders in the society.

Li Luqiang
Executive Director and Chief Executive Officer
International Alliance Financial Leasing Co., Ltd.

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 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) ("Nanshan Group") 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 paragraph headed "Management discussion and analysis — 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 (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 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 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 (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 (2020: approximately RMB448.1 million) and approximately RMB1,273.5 million (2020: approximately RMB1,195.5 million), respectively.

As at 31 December 2021, the total balance of borrowings amounted to RMB795.9 million (2020: RMB1,489.0 million). 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). For further details, including the structure, maturity profile and effective interest rates, please refer to note 24 to the consolidated financial statements.

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% (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 as at 31 December 2020 to RMB2,020.0 million as at 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 the International Financial Reporting Standards ("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 x PD x LGD x 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 IFRSs, 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).

Pledged assets

Save as disclosed in notes 17(iv) and 21 to the consolidated financial statements, the Group did not have any pledged assets for the years ended 31 December 2020 and 31 December 2021, respectively.

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 paragraph headed "Report of the Directors — Share Option Scheme".

Significant investments

The Company did not have any significant investments (including significant investments which accounted for 5% or more of the total assets of the Group) during the year ended 31 December 2021.

Material acquisitions and disposals of subsidiaries, associates and joint ventures

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

Foreign exchange risk

The Group receives majority of payments from customers in Renminbi and majority of the Group's revenue and costs are also denominated in Renminbi. The Group may need to convert and remit Renminbi into foreign currencies for the payment of dividends, if any, to holders of shares of the Company. The Group assets and liabilities are mainly denominated in Renminbi, United States dollar and Hong Kong dollar.

The Group is therefore exposed to foreign exchange risk arising from currency exposures, primarily in respect to the Renminbi. The management closely monitors the foreign exchange movements and determines the appropriate hedging activities when necessary.

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 (2020: nil).

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 (the "Global Offering") 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	**319.2**	**319.2**	—	

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

MANAGEMENT DISCUSSION AND ANALYSIS

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 paragraph headed "Report of the Directors — Share Option Scheme".

EVENTS AFTER THE REPORTING PERIOD

No significant event after the year ended 31 December 2021 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.

BIOGRAPHICAL DETAILS OF DIRECTORS

EXECUTIVE DIRECTORS

Mr. LI Luqiang (李璐強), aged 53, is an executive Director and the chief executive officer. He was appointed to the Board as a Director on 13 January 2016 and was designated as an executive Director on 20 June 2018. He is primarily responsible for strategic planning and overall management of the Group, overseeing the business operations, finance and human resources. Mr. Li Luqiang has been a director and general manager of Nanshan Financial Leasing (Tianjin) Co., Ltd.* (南山融資租賃 (天津) 有限公司) ("Nanshan Leasing") since January 2014. He also served various positions with other members of the Group as follows:

Company Name	Position	Period of Service
Nanshan Baozhong (Tianjin) Leasing Co., Ltd.* (南山寶中 (天津) 租賃有限公司)	Executive director and manager	Since July 2015
Baochun Alliance Limited (友聯寶純有限公司)	Director	Since August 2015
Baoyin Alliance Limited (友聯寶音有限公司)	Director	Since August 2015
Baoqing Alliance Limited (友聯寶慶有限公司)	Director	Since August 2015
Beijing Nanshan Jinchuang Information Consulting Co., Ltd.* (北京南山金創信息諮詢有限公司)	Executive director and manager	Since January 2016
Tianjin Rongjin Enterprise Management & Consulting Co., Ltd.* (天津融金企業管理諮詢有限公司)	Executive director	Since September 2016
Hong Kong Alliance Financial Leasing Co., Limited (香港友聯租賃有限公司)	Director	Since December 2016
Lian Hai Finance Limited (聯海財務有限公司)	Director	Since December 2019

Mr. Li Luqiang has over 20 years of experience in the finance leasing industry. From July 1995 to July 2001, Mr. Li Luqiang worked at the business department of International Union Leasing Co., Ltd. (友聯國際租賃有限公司), where he was responsible for financial analysis, risk management, business development and collection of lease payments. Between February 2004 and May 2007, Mr. Li Luqiang worked for Guangcai Investment Group* (光彩事業投資集團) (now known as Fanhai Energy Holdings Co., Ltd.* (泛海能源控股股份有限公司)), an investment and asset management company, as the vice president of Investment Department, responsible for investor relationship and corporate governance. Mr. Li Luqiang served as executive president in Fenghui Leasing Co., Ltd. (豐匯租賃有限公司) from December 2008 to December 2009. At that time, he was mainly responsible for management of leasing business. Prior to joining the Group, he worked for Chengtong Financial Leasing Company Limited (誠通融資租賃有限公司), and served as the leasing business director from January 2010 to March 2013. At that time, he was primarily responsible for financing and leasing business.

In July 1991, Mr. Li Luqiang obtained a bachelor degree of Engineering in Mechanical Design and Manufacturing from Beijing Union University (北京聯合大學) in Beijing, PRC. He obtained a master of commerce degree in international professional accounting and a master of commerce degree in finance from the University of New South Wales in Sydney, Australia, in October 2001 and October 2002, respectively. He was admitted as an associate of CPA Australia in October 2001 and became a certified practising accountant of CPA Australia in August 2006.

Mr. Li Luqiang was a director of the following companies in the PRC immediately prior to their respective dissolutions:

Name of company	Position prior to its dissolution	Principal business activity prior to its dissolution	Date of dissolution	Means of dissolution	Reason for dissolution
Nanshan Baotian (Tianjin) Leasing Co., Ltd.* (南山寶田(天津)租賃有限公司)	Executive director and manager	Finance leasing	27 August 2019	Deregistration	The company applied for deregistration and its deregistration was approved by the relevant authority.
Nanshan Baochang (Tianjin) Leasing Co., Ltd.* (南山寶昌(天津)租賃有限公司)	Executive director and manager	Finance leasing	30 November 2020	Deregistration	The company applied for deregistration and its deregistration was approved by the relevant authority.

Mr. LIU Zhenjiang (劉鎮江), aged 38, is an executive Director. He was appointed to the Board on 6 September 2021.

Mr. LIU Zhenjiang has been the Director of Risk Management of the Group since April 2019, mainly responsible for the legal compliance and risk management of proposed projects, drafting and review of transaction documents, and overseeing the Group's internal controls and compliance. He is also the supervisor of several subsidiaries of the Company, namely International Alliance Financial Leasing (Shenzhen) Co., Ltd.* (友聯國際融資租賃(深圳)有限公司), Nanshan Financial Leasing (Tianjin) Co., Ltd. (南山融資租賃(天津)有限公司), Beijing Nanshan Jinchuang Information Consulting Co., Ltd. (北京南山金創信息諮詢有限公司) and Tianjin Rongjin Enterprise Management & Consulting Co., Ltd. (天津融金企業管理諮詢有限公司). Mr. Liu Zhenjiang has over ten years of experience in the legal profession and worked as in-house legal counsels of a few private companies in the PRC before joining the Group.

Mr. Liu Zhenjiang obtained a bachelor's degree of Laws from Peking University in September 2007, and was granted his legal professional qualification issued by the Ministry of Justice of the PRC in March 2010.

BIOGRAPHICAL DETAILS OF DIRECTORS

NON-EXECUTIVE DIRECTOR

Mr. JIAO Jianbin ("Mr. Jiao"), aged 26, is a non-executive Director. He was appointed to the Board as a Director on 16 September 2020 and was designated as a non-executive Director on the same day.

Prior to joining the Group, Mr. Jiao worked at Hongkong Hongke Development Co., Limited (香港宏科發展有限公司) and Xinjin Investment Holding Limited (信金投資控股有限公司), and was involved in different areas of work including foreign and domestic trade and sales, research on overseas investment projects, industry analysis and market forecasts. In April 2020, Mr. Jiao is appointed as a director of TC Concord Securities Limited (天宸康合證券有限公司), principally responsible for business operation of the company.

Mr. Jiao joined the Group on 5 August 2020 and has been the chairman of board of directors and legal representative of Youlian International Financial Leasing (Shenzhen) Co., Ltd.* (友聯國際融資租賃（深圳）有限公司) since August 2020. He is responsible for providing supervision on direction of its business development, cross-border finances, financial reviews, providing suggestions on the overall improvement on its services and management, and scrutinising its compliance with reference to the Interim Measures for the Supervision and Administration of Financial Leasing Companies* (融資租賃公司監督管理暫行辦法), which was newly issued by The China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) in mid-2020. Mr. Jiao also made recommendations on the operations and management of the Group from the legal and compliance perspectives. He also reviewed the progress and performance of the Group's management. Further, he reviewed and provided advices on the current mechanisms and helped develop strategies in the areas of expansion plan in business type and source of revenue.

Mr. Jiao obtained a degree of Bachelor of Science from the New York University Leonard N. Stern School of Business in January 2020 with a Business major and Math and Computer Science minor.

BIOGRAPHICAL DETAILS OF DIRECTORS

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. LIU Changxiang (劉長祥), aged 67, is an independent non-executive Director. He was appointed to the Board on 20 February 2019. Mr. Liu Changxiang is mainly responsible for providing independent advice to the Group.

Mr. Liu Changxiang has over 20 years of experience in the banking and finance leasing industry. Mr. Liu Changxiang served as a representative and chief representative of the Tokyo representative office of China Construction Bank from December 1993 to December 1999, responsible for liaising with various government departments and financial institution in Japan and conducting industry research. For the period from April 2000 to April 2015, Mr. Liu Changxiang worked for JIC Leasing Company Limited (中建投租賃股份有限公司), formerly known as International Union Leasing Co. Ltd (友聯國際租賃有限公司), under the assignment of China Construction Bank and was assumed the role of deputy general manager and director one after the other. From April 2015 to April 2017, he worked in JIC Leasing (Shanghai) Co., Limited (中建投租賃(上海)有限責任公司), a subsidiary of JIC Leasing Company Limited, and was responsible for the general management and daily operations of the company.

In January 1982, Mr. Liu Changxiang graduated from the Beijing Normal University in Beijing, PRC with a bachelor degree of Arts in Japanese.

Mr. LIU Xuewei (劉學偉), aged 51, is an independent non-executive Director. He was appointed to the Board on 20 February 2019. Mr. Liu Xuewei is mainly responsible for providing independent advice to the Group.

Mr. Liu Xuewei is a certified public accountant and certified public valuer in China. He has over 20 years of experience in accounting. Mr. Liu Xuewei served as the operation manager of Yantai office of Shandong Huide Certified Public Accountants* (山東匯德會計師事務所有限公司) from January 2004 to March 2013. Mr. Liu Xuewei has been a partner of Hexin Certified Public Accountants LLP in Shandong (和信會計師事務所(特殊普通合夥)) and the head of its Zhifu branch in Yantai, Shandong since April 2013, responsible for the management and operations of its Zhifu branch.

In July 1992, Mr. Liu Xuewei graduated from Jiangxi College of Finance and Economics (江西財經學院) (now Jiangxi University of Finance and Economics (江西財經大學)) in Nanchang, PRC with a bachelor degree of Economics in Finance.

Mr. JIAO Jian (焦健), aged 48, is an independent non-executive Director. He was appointed to the Board on 20 February 2019. Mr. Jiao Jian is mainly responsible for providing independent advice to the Group.

Mr. Jiao Jian worked for Inner Mongolia Jian Zhong Law Firm (內蒙古建中律師事務所) from September 1996 to December 2006, where he had been a partner of the firm since October 2000. Mr. Jiao Jian has been a partner of Beijing Zhongzhou Law Firm (北京市中洲律師事務所) since December 2006, and is primarily responsible for corporate, securities and finance-related projects.

In July 1996, Mr. Jiao Jian graduated from China University of Political Science and Law (中國政法大學) in Beijing, PRC with a bachelor degree of law. He was accredited as a PRC lawyer by the Ministry of Justice of China in June 1998.

BIOGRAPHICAL DETAILS OF DIRECTORS

Mr. SHEK Lai Him Abraham (石禮謙) (alias Abraham Razack) ("Mr. Shek"), aged 76, is an independent non-executive Director. He was appointed to the Board on 28 July 2021. Mr. Shek is mainly responsible for providing independent advice to the Group.

Mr. Shek is an independent non-executive director of China Resources Cement Holdings Limited (stock code: 1313), Chuang's China Investments Limited (stock code: 298), Chuang's Consortium International Limited (stock code: 367), Cosmopolitan International Holdings Limited (stock code: 120), Country Garden Holdings Company Limited (stock code: 2007), CSI Properties Limited (stock code: 497), Everbright Grand China Assets Limited (stock code: 3699), Far East Consortium International Limited (stock code: 35), ITC Properties Group Limited (stock code: 199), Lai Fung Holdings Limited (stock code: 1125), Lifestyle International Holdings Limited (stock code:1212), Landing International Development Limited (stock code: 582), NWS Holdings Limited (stock code: 659), Paliburg Holdings Limited (stock code: 617) and Hao Tian International Construction Investment Group Limited (stock code: 1341), and the Vice Chairman and an executive Director of Goldin Financial Holdings Limited (stock code: 530), all of which are companies listed on the Stock Exchange. He is also an independent non-executive director of Eagle Asset Management (CP) Limited (the manager of Champion Real Estate Investment Trust (stock code: 2778)) and Regal Portfolio Management Limited (the manager of Regal Real Estate Investment Trust (stock code: 1881)), both trusts are listed on the Stock Exchange.

During the last three years from the date of this report, Mr. Shek was an independent non-executive director of Hop Hing Group Holdings Limited (stock code: 47) (retired on 2 June 2020), MTR Corporation Limited (stock code: 66) (retired on 22 May 2019) and SJM Holdings Limited (stock code: 880) (retired on 28 May 2021), all of which are listed companies in Hong Kong.

Mr. Shek graduated from the University of Sydney and obtained a Bachelor of Arts Degree in May 1969 and a Diploma in Education in March 1970. He was appointed as a Justice of the Peace in 1995 and was awarded the Silver Bauhinia Star and the Gold Bauhinia Star by the government of the Hong Kong Special Administrative Region (the "HKSAR") in 2007 and 2013, respectively. Mr. Shek served as a member of the HKSAR Legislative Council representing the Real Estate and Construction Functional Constituency for the period between October 2000 and December 2021. Mr. Shek is a member of the Advisory Committee on Corruption of the Independent Commission Against Corruption, a member of the Court and Council of The University of Hong Kong and a honorary member of Court of The Hong Kong University of Science & Technology.

Taking into consideration the abovementioned positions held by Mr. Shek, the Board is of the view that Mr. Shek will be able to devote sufficient time to the Company due to his ample knowledge and experience of serving as an independent non-executive director. Furthermore, except for Mr. Shek's appointment in Goldin Financial Holdings Limited (stock code: 530), Mr. Shek's appointment in the positions held by him in all the abovementioned listed companies are non-executive in nature, and do not require his participation in their day-to-day operation and management.

BIOGRAPHICAL DETAILS OF DIRECTORS

GENERAL

Save as disclosed in this report, none of the Directors:

(i) held any other positions in the Company or other members of the Group as at the date of this report;

(ii) had any other relationship with any Directors, senior management or substantial shareholders or controlling shareholders of the Company as at the date of this report;

(iii) held any directorship in any other public companies the securities of which are listed on any securities market in Hong Kong or overseas in the three years prior to the date of this report; and

(iv) have any interest in the Shares within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") or is a director or an employee of a company which has an interest or short position in the Shares and underlying shares of the Company.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, there were no other matters with respect to the appointment of the Directors that needs to be brought to the attention of shareholders of the Company and there was no information relating to the Directors that was required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules as at the date of this report.

CORPORATE GOVERNANCE REPORT

The Board hereby presents to the Shareholders the corporate governance report for the period from 1 January 2021 to 31 December 2021 (i.e. the Reporting Period).

The Group is committed to promoting good corporate governance and has set up procedures on corporate governance that comply with the principles in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules. For the Reporting Period, the Board has performed the corporate governance duties which include the following: (i) to develop and review the Company's policies and practices on corporate governance; (ii) to review and monitor the training and continuous professional development of Directors and senior management; (iii) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (iv) to develop, review and monitor the code of conduct applicable to employees and Directors; and (v) to review the Company's compliance with the CG Code and disclosure in the corporate governance report of the Company under the Listing Rules. The Company was in compliance with the CG Code during the Reporting Period.

BOARD OF DIRECTORS

Board Composition

The composition of the Board and its changes during the Reporting Period and up to the date of this report are as follows:

Executive Directors

Mr. LI Luqiang *(Chief Executive Officer)*
Mr. LI Zhixuan (resigned on 6 September 2021)
Mr. LIU Zhenjiang (appointed on 6 September 2021)

Non-Executive Director

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)

Responsibilities of the Board

The functions and duties of the Board include, but are not limited to, convening general meetings, reporting on the performance of the Group at general meetings, implementing resolutions passed at general meetings, formulating business and investment plans, preparing annual budget and final accounts, preparing proposals on profit distribution and increasing or decreasing the registered capital, as well as exercising other authorities, functions and responsibilities in accordance with the articles of association of the Company. The biographies of the Directors are set out on pages 13 to 18 of this report under the section headed "Biographical Details of Directors".

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Impacted by the COVID-19 epidemic and the travel restrictions, the selection and interviewing process for the Chairman was affected. Hence, since the passing of Mr. Song Jianpeng, the late non-executive Director and Chairman, on 9 October 2019, the Company has not yet appointed any Chairman as at the date of this report. The duties and responsibilities of the Chairman, including but not limited to management and operations of the Board, are collectively shared among the members of the Board during the Reporting Period and up to the date of this report. On the other hand, Mr. Li Luqiang, the executive Director and the chief executive officer of the Company, is responsible for carrying out the policies of the Board, takes the lead in the Group's operations and business development, and focuses on the daily management and operations generally.

Accordingly, the Board considers that despite the absence of Chairman, the balance of power and authority between the Board and the management of the Company is not impaired and that power is not concentrated in any one individual. The Board will keep reviewing the current structure of the Board and the need of appointment of a suitable candidate to perform the role of the Chairman.

NON-EXECUTIVE DIRECTOR

Mr. Jiao Jianbin, the non-executive Director, renewed the letter of appointment with the Company for a term of three years commencing from 16 September 2021, subject to termination by either party giving one month's written notice and retirement by rotation and re-election at the annual general meetings of the Company in accordance with the Company's articles of association and the Listing Rules.

INDEPENDENT NON-EXECUTIVE DIRECTORS ("INEDS")

During the Reporting Period, the Board at all times complied with Rules 3.10(1), (2) and 3.10A of the Listing Rules relating to the appointment of at least three INEDs representing at least one-third of the Board with at least one of them has possessed relevant professional qualifications or accounting or related financial management expertise. A written annual confirmation of their independence satisfied with guidelines set out in Rule 3.13 of the Listing Rules have been received from each of the INEDs and the Company considers each of them to be independent. The Company is of the opinion that its INEDs with their wide spectrum of knowledge and extensive business experience, will objectively scrutinise the Company's performance. Each of the INEDs will inform the Company in writing as soon as practicable if there is any change of circumstances which may affect his independence. The INEDs are also subject to rotation at annual general meetings pursuant to the articles of association of the Company.

The Company will maintain an updated list of its Directors identifying their roles and functions on websites of the Company and the Stock Exchange. INEDs are identified in all corporate communications that disclose the names of Directors.

Each of the INEDs entered into a letter of appointment for a term of three years, which is subject to termination by either party giving one month's written notice and retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Company's articles of association and the Listing Rules.

CORPORATE GOVERNANCE REPORT

APPOINTMENT AND ROTATION OF DIRECTORS

Pursuant to articles of association of the Company, at each annual general meeting, one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

BOARD MEETINGS AND ATTENDANCE

In accordance with Appendix 14 of the Listing Rules, Code Provision C.5.1 prescribes that at least four regular Board meetings should be held each year at approximately quarterly intervals with active participation of a majority of the Directors, either in person or through other electronic means of communication.

During the Reporting Period, 14 Board meetings and one general meeting were held and the attendance record of each Director is set out in the table below:

Directors	Attended/Eligible to attend the Board meeting(s)	Attended/Eligible to attend the general meeting(s)
Mr. LI Luqiang	14/14	1/1
Mr. LI Zhixuan (resigned on 6 September 2021)	10/10	1/1
Mr. LIU Zhenjiang (appointed on 6 September 2021)	4/4	N/A
Mr. JIAO Jianbin	14/14	1/1
Mr. LIU Changxiang	14/14	1/1
Mr. LIU Xuewei	14/14	1/1
Mr. JIAO Jian	14/14	1/1
Mr. SHEK Lai Him Abraham (appointed on 28 July 2021)	7/7	N/A

ROLE AND RESPONSIBILITIES OF THE DIRECTORS AND DELEGATION TO MANAGEMENT

The Board has overall responsibility for the leadership and control of the Group, including the responsibilities for the formulation of long-term strategies, and appointing and supervising senior management to ensure that the operation of the Company is conducted in accordance with the objective of the Group; and is collectively responsible for directing and supervising the Group's affairs.

The Board directly, and indirectly through its committees, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Group. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Group are delegated to the management.

The INEDs are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors, including non-executive Directors and INEDs, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors may, upon request, seek independent professional advice in appropriate circumstances at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Company has adopted a memorandum on respective functions of the board of directors and the management and corporate governance function of the board of directors, which set out delegation of functions to management, including management and day-to-day operation of the Group. The delegated functions and responsibilities will be reviewed by the Board from time to time. Approval has to be obtained from the Board prior to enter into any notifiable transaction or connected transaction for the Company under the Listing Rules.

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, the Nomination Committee and the Remuneration Committee are posted on the websites of the Company and the Stock Exchange.

Audit Committee

The Audit Committee has three members, namely Mr. LIU Xuewei (劉學偉) (Chairman), Mr. JIAO Jian (焦健) and Mr. LIU Changxiang (劉長祥). The primary duties of the Audit Committee are to make recommendations to the Board on the appointment and removal of the external auditor, review the financial statement and supervise the financial reporting process, internal control system and risk management system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by the Board.

During the Reporting Period, the Company has held four meetings of Audit Committee and all three members of the Audit Committee attended all meetings. The Audit Committee has reviewed with the external auditors the accounting principles and practices adopted by the Group, internal controls and financial reporting matters, interim and annual results of the Group of the Reporting Period and proposed adoption of the same by the Directors. The Audit Committee also reviewed the risk management and internal control design of the Company during the Reporting Period. 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 Board has adopted the recommendation from the Audit Committee.

Remuneration Committee

The Remuneration Committee has three members, namely Mr. LIU Changxiang (劉長祥) (Chairman), Mr. JIAO Jian (焦健) and Mr. LIU Xuewei (劉學偉). The primary duties of the Remuneration Committee are to make recommendations to the Board on the Company's remuneration policy and the remuneration packages of the executive Directors and the senior management and review the terms of service contracts of executive Directors.

During the Reporting Period, the Company has held three meetings of Remuneration Committee and all three members of the Remuneration Committee attended all meetings. The Remuneration Committee had reviewed the current remuneration of all of the Directors and made recommendations to the Board. The Board has adopted the recommendations from the Remuneration Committee.

Nomination Committee

The Nomination Committee has three members, namely Mr. LIU Xuewei (劉學偉) (Chairman), Mr. JIAO Jian (焦健) and Mr. LIU Changxiang (劉長祥). 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 two meetings of Nomination Committee and all three members of the Nomination committee attended all meetings. During the Reporting Period, the Nomination Committee had reviewed the structure and composition of the Board, the confirmations and disclosures given by the Directors, the qualifications, skills and experience, time commitment and contribution of the Directors with reference to the nomination principles and criteria set out in the Company's board diversity policy and nomination policy (including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience, length of service), as well as made recommendations to the Board on appointment, re-election and succession planning of Directors.

DIRECTORS' AND OFFICERS' LIABILITIES

The Company has arranged for appropriate insurance covering the liabilities of the Directors and officers in respect of any legal actions taken against the Directors and officers that may arise out of the corporate activities. The insurance coverage will be reviewed on an annual basis.

SECURITIES DEALING CODE

The Company has adopted a securities dealing code (the "Securities Dealing Code") regarding securities transactions by Directors and employees on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") in Appendix 10 of the Listing Rules. The Company will periodically issue notices to its Directors reminding them of the general prohibition on dealing in the Company's listed securities during the blackout periods before the publication of announcements of financial results. The Company has made specific enquiry of the Directors and the Company was not aware of any non-compliance with the required standard of dealings regarding securities transactions by the Directors throughout the Reporting Period.

CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Directors should keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Induction materials and relevant guideline materials regarding the duties and responsibilities of being a director, the relevant laws and regulations applicable to directors, duty of disclosure of interests and business in the Group are provided to newly appointed Directors shortly upon their appointment as Directors to ensure appropriate understanding of the business and operations of the Group and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

During the Reporting Period, the Company provided training to the Directors. Particulars of Directors' attendance at the said training course and their participation in continuous professional development activities during the Reporting Period are summarised as follows:

Name of Director	Reading materials on the topics related to regulations	Attending training courses on the topics related to regulations in August 2021
Executive Directors		
Mr. LI Luqiang	✔	✔
Mr. LI Zhixuan (resigned on 6 September 2021)	✔	✔
Mr. LIU Zhenjiang (appointed on 6 September 2021)	✔	✔
Non-Executive Director		
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)	✔	✔

All Directors are also encouraged to attend relevant training courses at the Company's expense. During the Reporting Period, all Directors have been required to provide the Company with their training records.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meetings of the Company. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group.

The aggregated remuneration paid to and/or entitled by the Directors for the year ended 31 December 2021 was RMB3.3 million. For further details (including but not limited to the remuneration of each of the Directors), please refer to note 14(a) to the consolidated financial statements.

SENIOR MANAGEMENT'S REMUNERATION

Remuneration payable to senior management (excluding Directors) for the year ended 31 December 2021 within the band of below HK$1,500,000 comprises one individual and the band between HK$1,500,000 to HK$3,000,000 comprises one individual. For further details, please refer to note 14(b) to the consolidated financial statements.

EXTERNAL AUDITORS AND AUDITORS' REMUNERATION

On 24 December 2019, Deloitte Touche Tohmatsu resigned as the auditor of the Company, after considering factors including the professional risk associated with the audit, the level of audit fees and their available internal resources in the light of current work flows.

With the recommendation from the Audit Committee, the Board has resolved to appoint SHINEWING (HK) CPA Limited ("SHINEWING" or the "Auditor") as the Company's external auditor with effect from 10 February 2020. The Audit Committee considered that these audit and non-audit services have no adverse effect on the independence of SHINEWING. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of SHINEWING. During the Reporting Period, the remuneration paid/payable to SHINEWING is set out as follows:

Amount of Fees

	2021 RMB'000
Audit services	1,083
Non-audit services	
— agreed-upon procedures on the interim financial statements for the six months ended 30 June 2021	110
— comfort letter on the Group's indebtedness	100
— Reporting engagement in relation a possible acquisition	1,980

DIRECTORS' AND AUDITORS' RESPONSIBILITY OF FINANCIAL REPORTING

The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Company for each financial year with a true and fair view of the financial position of the Group.

The Directors consider that the Company's consolidated financial statements are prepared in accordance with all statutory requirements and appropriate accounting standards are applied consistently.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. The statement by the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the section headed "Independent Auditor's Report" of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Group's internal control system is designed to safeguard assets against misappropriation and unauthorised disposition through implementation of a set of internal control procedures. Internal control procedures are intended to manage significant risks in the Group's business activities and bring them to an acceptable level.

1. Board of Directors' Responsibilities

The Board recognises its responsibility for the risk management and internal control systems and reviewing their adequacy and effectiveness. The Board conducts annual review of the Group's internal controls covering major financial, operational and compliance controls, as well as risk management functions.

2. Risk Management Process

The risk management process is cascaded throughout the Group, from the Board level to management level.

Project approval committee ("PAC") was established in March 2014 and it directly reports to the Board. The primary duties of the PAC are to formulate and monitor the implementation of the Group's major risk management policies and systems. It is in charge of reviewing the feasibility, risk prevention and mitigation measures of finance leasing projects.

Senior management and department heads are required to identify, evaluate and manage risks associated with business operations on an on-going basis with defined parameters, and record these in the risk registers. For each risk identified, management assesses their root causes, consequences and mitigating controls. Such assessment takes into account of (i) probability of the risk occurrence and (ii) degree of potential loss. The result of the assessment is summarised on a risk register and is reviewed by the Board. It is mandatory for this process to be conducted at least once a year.

Apart from the risk management process, the legal department monitors compliance with relevant laws and regulations which govern the Group's businesses.

3. Corporate Governance Function

The Board and senior management are responsible for performing duties on corporate governance and compliance functions as set out below:

i) developing and reviewing the Group's policies and practices on corporate governance;

ii) reviewing and monitoring the training and continuous professional development of directors and senior management;

iii) reviewing and monitoring the Group's policies and practices on compliance with legal and regulatory requirements;

iv) developing, reviewing and monitoring the code of conduct applicable to employees and directors; and

v) reviewing the Group's compliance with the CG Code and disclosure in the corporate governance report of the Company.

The Group had provided Directors with trainings, development programs and/or updates regarding the legal and regulatory requirements applicable to the business operations of the Group. For further details, please refer to paragraph headed "Corporate Governance Report — Continuous professional development of Directors" above.

4. Internal Audit Function

The Board conducts a review on the Group's internal control system on an annual basis. During the Reporting Period, the Group engaged an outsourced internal control consultant to review the Group's internal control system for the year ended 31 December 2021 and no significant risk and control deficiencies were identified.

The internal control review covered the following areas:

i) Risk management process

ii) Risk assessment process

iii) Compliance on the Appendix 14 of the Listing Rules, including without limitation to:

A. Directors

- Board
- Chairman and Chief Executive
- Composition of Board
- Appointment, re-election and removal
- Nomination committee
- Directors' responsibilities
- Provision and use of information

B. Directors and Senior Management Remuneration

- Remuneration, disclosure and composition

C. Accountability and Audit

- Financial reporting
- Risk management and internal control
- Audit committee

D. Delegation by the Board

— Management function

— Board Committees

— Corporate governance function

E. Shareholders' communication

— Effective communication

— Decision making by voting

F. Company Secretary

5. Confirmation from the Board and the Audit Committee on the Group's Risk Management and Internal Control

The Board and the Audit Committee have conducted a review on and are satisfied with the adequacy and effectiveness of the Group's risk management and internal control system for the year ended 31 December 2021 and there was no material control failures or adverse compliance events that have directly resulted in any material loss to the Group.

The Group will continue to strengthen its internal control system in order to maintain proper corporate governance and safeguard the interest of its shareholders.

NOMINATION POLICY

The Company has also adopted the director nomination policy (the "Director Nomination Policy").

The Director Nomination Policy sets out the nomination criteria of a proposed candidate, including without limitation to the following: (i) qualifications including professional qualifications, skills, knowledge and experience, requirements of INED; (ii) character and integrity; (iii) diversity in all aspects, including without limitation to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience, length of service; (iv) commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company; (v) independence of the proposed INEDs in accordance with the Listing Rules; and (vi) any other relevant factors as may be determined by the Nomination Committee or the Board from time to time.

The Director Nomination Policy also sets out the following nomination procedure:

i) If the Nomination Committee determines that an additional or replacement Director is required, the secretary of the Nomination Committee shall convene a meeting, and invite nominations from the Board members (if any) prior to the meeting, and the Nomination Committee may also put forward candidates which are not nominated by the Board members. The Nomination Committee shall take such measures that it considers appropriate in connection with its identification and/or evaluation of a candidate.

ii) In the context of appointment of any proposed candidate to the Board, the Nomination Committee shall submit the candidate's personal profile and a proposal to the Board for its consideration. In order to be a valid proposal, the proposal must clearly indicate the nominating intention and the candidate's consent to be nominated and the personal profile must incorporate and/or be accompanied by the full particulars of the candidate that are required to be disclosed under the Listing Rules, including the information and/or confirmation required under Rule 13.51(2) of the Listing Rules. If the candidate is proposed to be appointed as an INED, his or her independence shall be assessed in accordance with the factors set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

iii) In the context of re-appointment of any existing member(s) of the Board, the Nomination Committee shall make recommendations to the Board for its consideration and recommendation, for the proposed candidates to stand for re-election at a general meeting.

iv) In the context of shareholders' nomination of any proposed candidate for election as a Director, the Nomination Committee shall refer to the "Procedures for a shareholder to propose a person for election as a director", which is available on the Company's website.

v) The Board shall have the final decision on all matters relating to its recommendations of candidates to stand for election at a general meeting, the appointment of any proposed candidate to the Board or re-appointment of any existing member(s) of the Board.

During the Reporting Period, the Nomination Committee has performed the following major tasks:

i) Review of the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Company with due regard for the benefits of diversity on the Board;

ii) Recommendation of the re-appointment of those Directors standing for re-election at the annual general meeting; and

iii) Assessment of the independence of all the INEDs.

For further details, please refer to the paragraph headed "Corporate Governance Report — Board committee — Nomination Committee" above.

BOARD DIVERSITY POLICY

The Company recognises and embraces the benefits of diversity at Board level and has commitment to diversity at all levels through consideration of a number of factors, including without limitation to gender, age, cultural and educational background, professional qualifications, skills, knowledge, industry and regional experience, length of service and any other factors that the Board may consider relevant and applicable from time to time. The Board adopted a board diversity policy on 20 February 2019. The Board will review this policy at least on an annual basis to ensure its effectiveness.

During the Reporting Period, the Nomination Committee reviewed the board diversity policy of the Company, as well as the composition and the diversity of the Board. The Nomination Committee considers that the Board has achieved Board diversity in most aspects other than gender diversity. The Board is also aware of the composition as at 31 December 2021 and the benefits of achieving an appropriate balance of gender diversity at the Board level by making reference to stakeholders' expectation and international and local recommended best practices. Accordingly, the Board set a measurable objective of appointing at least one female director by 31 December 2024.

In addition to the Board level, the Company promotes gender diversity in all levels of its employees. 13 of its 32 employees as at 31 December 2021 are female, which represented 41% of total number of employees. The Company will continue to search or develop potential candidates to the Board or senior management to increase the portion of female members.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "Dividend Policy") on payment of dividends, including the proposal of declaration and/or payment of dividend and determination of the dividend amount. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out below, interim and/or special dividends may be proposed and/or declared by the Board in its sole and absolute discretion during a financial year and any final dividends for a financial year will be subject to the shareholders' approval.

In considering the payment of dividends, there shall be a balance between maintaining sufficient capital to grow the Group's business and rewarding the shareholders of the Company. The Board shall take into account the following factors, among other factors:

(a) the Group's overall results of operation, financial position, liquidity position, capital requirements, cash flow and future prospects;

(b) the amount of distributable reserves of the Company;

(c) the expected capital requirements and future expansion plans of the Group;

(d) the general business and regulatory conditions, the business cycle of the Group and other internal or external factors that may have an impact on the business or financial performance and position of the Group;

(e) the statutory and regulatory restrictions;

(f) the contractual restrictions on the payment of dividends by the Company to the Shareholders or by the subsidiaries of the Company to the Company;

(g) the Shareholders' interests; and

(h) other factors that the Board deems relevant.

COMPANY SECRETARY

Mr. Yuen Kin Shan ("Mr. Yuen") has been appointed as the company secretary of the Company on 30 December 2020. During the Reporting Period, Mr. Yuen has taken no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolution should be proposed for each substantial issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of Stock Exchange after each general meeting.

The Company engages with its shareholders through various communication channels and a shareholders' communication policy is in place to ensure that shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

SHAREHOLDERS' COMMUNICATION POLICY

The Company has established a shareholders' communication policy and the Board reviews it regularly to ensure its effectiveness. Under this policy, the Company communicates with its shareholders and the investment community mainly through various means: (i) the holding of annual general meetings and other general meetings; (ii) the timely publication of the Company's announcements, interim and annual financial reports, and/or circulars as required under the Listing Rules; (iii) constitutional documents of the Company and Board committee; and (iv) the availability of all the disclosures submitted to the Stock Exchange and any of the Company's corporate communications and publications on the Company's website at www.iaf-leasing.com.

Shareholders and investors are welcomed to visit the Company's website to raise enquiries through the Investor Relations Department whose contact details are available on the Company's website and the section headed "Corporate Information" of this report.

The Company shall provide shareholders with relevant information on the resolution(s) proposed at a general meeting in a timely manner in accordance with the articles of association of the Company and the Listing Rules and shareholders are encouraged to attend and participate in general meetings. The chairman of the Board and the chairman of the Board committees, or their delegates and the external auditors will attend the annual general meeting to answer any questions from shareholders. Notice of the annual general meeting, setting out details of each proposed resolution, voting procedures and other relevant information, will be sent to all shareholders not less than 21 clear days and not less than 20 clear business days prior to the date of the meeting.

Procedures for shareholders to convene extraordinary general meetings

Pursuant to Article 58 of the articles of association of the Company, any one or more shareholder(s) holding at the date of the requisition not less than 10% of the paid-up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the board of directors or the company secretary of the Company, to require an extraordinary general meeting (the "EGM") to be called by the Board for the transaction of any business specified in such requisition (the "Requisition").

The Requisition shall be made either in hard copy form by post to the Company's principal place of business in Hong Kong at Unit 2602, 26th Floor, One Hennessy, No. 1 Hennessy Road, Wan Chai, Hong Kong for the attention of the Board of Directors/Company Secretary or via email to IR@iaf-leasing.com.

If the Board does not within 21 days from the date of deposit of the Requisition proceed to convene the meeting to be held within two months after the deposit of Requisition, the requisitionist(s) themselves, and all reasonable expenses incurred by the requisitionist(s) shall be reimbursed to them by the Company.

Procedures for shareholders to put through proposals at general meetings

Any shareholder who wishes to put forward proposals at a general meeting of the Company shall submit such proposals to the Board in writing for the Board's consideration either via mail to the Company's principal place of business in Hong Kong at Unit 2602, 26th Floor, One Hennessy, No. 1 Hennessy Road, Wan Chai, Hong Kong for the attention of the Board of Directors/Company Secretary or via email to IR@iaf-leasing.com not less than fourteen days and not less than ten clear business days prior to the date of the general meeting.

Procedures for shareholders to put forward enquiries to the Board

To put forward any enquiries to the Board, shareholders shall send their written enquiries to the Company. The Company will normally not deal with verbal or anonymous enquiries.

Address:	Unit 2602, 26th Floor, One Hennessy, No.1 Hennessy Road, Wan Chai, Hong Kong for the attention of the Board of Directors/Company Secretary
Email:	IR@iaf-leasing.com

For share registration related matters, such as share transfer and registration, change of name or address, loss of share certificates or dividend warrants, the registered shareholders shall contact the Company's Hong Kong branch share registrar and transfer office as follows:

Address:	Tricor Investor Services Limited Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong
Email:	is-enquiries@hk.tricorglobal.com
Tel:	(852) 2980 1333
Fax:	(852) 2810 8185

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above addresses, where appropriate, and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Constitutional Documents

The amended and restated memorandum and articles of association of the Company (the "Amended and Restated M&A") was adopted on 20 February 2019 and took effect from 15 March 2019 (the "Listing Date"). A copy of the Amended and Restated M&A is available on both the websites of the Company at www.iaf-leasing.com and the Stock Exchange at www.hkexnews.hk. There was no significant change in the Amended and Restated M&A during the Reporting Period.

REPORT OF THE DIRECTORS

The Directors are pleased to present the annual report for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is principally engaged in offering finance lease service. Details of the principal activities and other particulars of its principal subsidiaries are set out in note 33 to the consolidated financial statements.

FINANCIAL RESULTS AND DIVIDENDS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income in this report. The Board did not recommend the payment of any final dividend for the year ended 31 December 2021.

SUMMARY OF FINANCIAL INFORMATION

A summary of the financial results and the assets and liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements, are set out on page 108. This summary does not form part of the audited consolidated financial statements.

GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on 15 March 2019. Net Proceeds from the Global Offering was approximately HK$354.3 million (after deducting underwriting commission and other estimated expenses payable by the Company in connection with the Global Offering). Please refer to the paragraph headed "Management Discussion and Analysis — Use of proceeds from Global Offering" in this report for more details regarding the use of proceeds since the Listing Date up to the date of this report.

CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2021, the Group's five largest customers accounted for approximately 41.21% (2020: approximately 32.62%) of the Group's total revenue and the largest customer accounted for approximately 11.87% (2020: approximately 10.93%) of total revenue.

Due to the nature of the business, the Group does not have any significant contribution from major suppliers during the normal course of business. However, the Group relied substantially on interest-bearing borrowings and asset-backed securities to operate business and has established strong relationships with various financial institutions.

Save as disclosed under the paragraph headed "Report of the Directors — Connected transactions" in this report, as far as the Directors are aware, none of the Directors or any of their close associates, or any shareholders (which, to the knowledge of the Directors, owns more than 5% of the Company's issued shares) had any beneficial interest in the Group's five largest customers and suppliers for the year ended 31 December 2021.

PRINCIPAL SUBSIDIARIES OF THE COMPANY

Particulars of principal subsidiaries of the Company are set out in note 33 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Movements in plant and equipment are set out in note 15 to the consolidated financial statements.

BORROWINGS

Particulars of borrowings of the Group as at 31 December 2021 are set out in note 24 to the consolidated financial statements.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the Reporting Period and up to the date of this report.

SHARE CAPITAL

Details of movements in the Company's share capital during the year ended 31 December 2021 are set out in note 26 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group for the year ended 31 December 2021 are set out in note 34 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

In accordance with the Companies Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, the share premium account may be applied by the Company to pay distribution or dividends to shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company shall be able to pay its debts as they fall due in the ordinary course of business. As at 31 December 2021, the Company's reserves available for distribution amounted to approximately RMB1,204.1 million (2020: RMB1,204.1 million). Such amount includes the Company's share premium.

PRE-EMPTIVE RIGHTS

The shares of the Company are not subject to any pre-emptive or similar rights under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands or pursuant to the memorandum and articles of association of the Company.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors since 1 January 2021 and up to the date of this report were:

Executive Directors

Mr. LI Luqiang *(Chief Executive Officer)*
Mr. LI Zhixuan (resigned on 6 September 2021)
Mr. LIU Zhanjiang (appointed on 6 September 2021)

Non-Executive Director

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)

Pursuant to Articles 84(1) and (2) of articles of association of the Company, at each annual general meeting one-third of the Directors for the time being, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election at the annual general meeting.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the INEDs, a confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the INEDs are independent.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 13 to 18 of this report.

DIRECTORS' SERVICE CONTRACTS

None of the Directors who was proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of the emoluments of the Directors and five highest paid individuals for the year ended 31 December 2021 are set out in note 14 to the consolidated financial statements.

DIVIDEND

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

MANAGEMENT CONTRACTS

As at 31 December 2021, other than a contract of service with a Director or any person engaged in the full-time employment of the Company, the Company did not enter into or have any management and administration contracts in respect of the whole or any substantial part of the business of the Company.

EMOLUMENT POLICY

The emoluments of the Directors are decided by the Remuneration Committee, having regard to the Company's operating results, market competitiveness, individual performance, dedication and achievement. The Company has also adopted share option scheme as an incentive to Directors and eligible employees, details of the scheme is set out in the paragraph headed "Report of the Directors — Share Option Scheme" in this report.

COMPETITION AND CONFLICT OF INTERESTS

None of the Directors or substantial shareholders of the Company or any of their respective associates has engaged in any business that competes or may compete with the businesses of the Group or has any conflict of interests with the Group.

DEED OF NON-COMPETITION

As disclosed in the Prospectus, each of Ms. Sui Yongqing and Union Capital Pte. Ltd., the controlling shareholders of the Company (the "Controlling Shareholders"), had entered into a deed of non-competition (the "Deed of Non-competition") in favour of the Company (for itself and as trustee of its subsidiaries), pursuant to which each of the Controlling Shareholders would not, and would procure her/its close associates and/or the companies controlled by her/it (other than members of the Group) not to, directly or indirectly, either on her/its own account or in conjunction with or on behalf of any person, firm or company, partnership, joint venture, or other contractual arrangement, among other things, whether directly or indirectly, for profit or not, carry on, participate or be engaged in, invest in, acquire or hold (in each case whether as a shareholder, director, partner, agent, employee or otherwise and whether for interest, return or otherwise) or provide any form of assistance to any business which is or may be similar to or in competition with the business carried on or contemplated to be carried on by any member of the Group from time to time, including but not limited to the provision of finance leasing and related advisory services.

Each of the Controlling Shareholders had provided a written declaration (the "Declaration") to the Company confirming that she/it had duly complied with the terms of the Deed of Non-competition during the Reporting Period.

The INEDs had received and reviewed the Declaration. In determining whether the terms of the Deed of Non-competition were duly complied with by and enforceable against the Controlling Shareholders during the Reporting Period, the INEDs had reviewed and observed the following:

(a) each of the Controlling Shareholders had made the Declaration declaring that she/it had fully complied with the Deed of Non-competition during the Reporting Period;

(b) no competing business was reported by the Controlling Shareholders during the Reporting Period; and

(c) there was no particular situation rendering the full compliance and enforcement of the Deed of Non-competition being questionable.

In view of the above, the INEDs were satisfied that the terms of the Deed of Non-competition were duly complied with by and enforceable against each of the Controlling Shareholders during the Reporting Period.

DIRECTORS' PERMITTED INDEMNITY PROVISION

Under the articles of association of the Company, every Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has arranged appropriate directors' and officers' liability insurance coverage for the Directors and officers of the Group.

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

As at 31 December 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 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, in each case once the shares of the Company are listed on the Stock Exchange, were as follows:

Long positions in shares/underlying shares of the Company (the "Shares")

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 Beijing Xinlian Rongjin Enterprise Management & Consulting Co., Ltd.* (北京信聯融金企業管理諮詢有限公司), which is in turn 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 the 31 December 2021, none of the Directors and chief executives of the Company and/or any of their respective associates had any interest and short position in the shares, underlying shares and/or debentures of the Company and/or any of its associated corporations (within the meaning of Part XV of the SFO) 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.

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

As at 31 December 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.(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, 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 of the Company as at 31 December 2021.

CONNECTED TRANSACTIONS

Connected persons

Nanshan Group is owned as to 51% by village member committee of the Nanshan Village, Dongjiang Street, Longkou City, Shandong Province, PRC* (龍口市東江街道南山村民委員會) and 49% by Mr. Song Jianbo, the husband of Ms. Sui Yongqing, a Controlling Shareholder. For the purpose of the connected transaction rules, the Directors considered Nanshan Group to be deemed connected persons under Rule 14A.21 of the Listing Rules.

Finance Leasing Framework Agreement

On 20 September 2019, the Group entered into a finance leasing framework agreement (the "Finance Leasing Framework Agreement") with Nanshan Group in relation to provision of sale-leaseback service and direct finance leasing service by the Group to Nanshan Group (the "Transaction"). The Finance Leasing Framework Agreement is effective for three (3) years from 17 December 2019.

The leased assets under the Finance Leasing Framework Agreement include healthcare equipment, engineering vehicles or equipment, equipment used in power stations as well as carriers such as aircraft and vessels for transport of goods and/or passengers. Also, the annual caps under the Finance Leasing Framework Agreement are RMB381 million, RMB855 million, RMB855 million and RMB977 million for the years ended 31 December 2019, 2020, 2021 and 2022, respectively.

Nanshan Group will enter into separate individual agreement with its relevant members of Nanshan Group in each Transaction pursuant to the Finance Leasing Framework Agreement. Further details of the Finance Leasing Framework Agreement were set out in the circular of the Company dated 29 November 2019.

As one or more of the applicable percentage ratios in respect of the annual caps under the Finance Leasing Framework Agreement are more than 5%, the transactions contemplated thereunder are subject to announcement, reporting, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.56 of the Listing Rules, the Board has engaged the Auditor to report on the Group's continuing connected transactions and the Auditor has confirmed that the Group's continuing connected transactions are in accordance with Rule 14A.56 of the Listing Rules and has issued an assurance report containing their findings and conclusions accordingly.

The INEDs have confirmed that the continuing connected transactions are in accordance with Rule 14A.55 of the Listing Rules. Specifically, the INEDs have reviewed the continuing connected transactions and have confirmed that the continuing connected transactions entered into by the Group were in the ordinary and usual course of its business, on normal commercial terms or on terms no less favourable than those available to or from independent third parties, and in accordance with the terms of the agreement governing such transactions that are fair and reasonable and in the interests of the Shareholders as a whole.

The Board confirms that the Company has complied with the applicable disclosure requirements in accordance with Chapter 14A of the Listing Rules in respect of each of the connected transactions set out above.

Details of material related party transactions entered into by the Group are set out in note 31 to the consolidated financial statements. Except for those described in this paragraph of "Connected Transactions" above, in respect of which the disclosure requirements in accordance with Chapter 14A of the Listing Rules have been complied with, none of those related party transactions constitutes a discloseable connected transaction as defined under the Listing Rules.

The Auditor has confirmed that each of the Group's continuing connected transactions contemplated under the Finance Leasing Framework Agreement is in accordance with Rule 14A.56 of the Listing Rules where nothing has come to its attention that causes it to believe that the said continued connected transactions:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the caps as stipulated in the relevant agreements governing the transactions.

The Auditor has issued an assurance report of each of the said transactions containing their findings and conclusions accordingly.

RELATED PARTY TRANSACTIONS

Related party transactions during the Reporting Period were disclosed in note 31 to the consolidated financial statements. They include the following connected transactions under the Listing Rules:

(i) Regarding the finance lease income generated from Nanshan Group and its subsidiaries, together with the finance lease receivables from Nanshan Group and its subsidiaries, the corresponding transactions were within the scope of the Finance Leasing Framework Agreement that had been approved by the independent shareholders of the Company, as well as reviewed annually by the INEDs and auditors according to Chapter 14A of the Listing Rules;

(ii) Regarding the guarantee from Nanshan Group and its subsidiaries, the corresponding transaction was exempted from the connected transaction requirements according to Rule 14.90 of the Listing Rules. The guarantee was released after the disposal of the Aircraft in February 2021; and

(iii) Regarding the remuneration of key management personnel of the Group, the corresponding transactions were exempted from the connected transaction requirement according to Rule 14.95 of the Listing Rules.

SHARE OPTION SCHEME

On 20 February 2019, the Company conditionally approved and adopted the share option scheme (the "Share Option Scheme") in accordance with the provision of Chapter 17 of the Listing Rules.

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 "Option") shall be determined by the Board (or as the case may be, including, where required under the Listing Rules, the independent nonexecutive 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 Options 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 Option to any participant as the Board may determine. The number of shares which may be issued pursuant to the exercise of the Options to be granted under the Share Option Scheme is 150,000,000 in total which is not exceeding 10% of all the shares in issue as at the Listing Date on 15 March 2019.

The total number of shares issued and to be issued upon exercise of Options granted to each participant (including both exercised and outstanding options) under the Share Option Scheme of the Company, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue.

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed 10 years from the date of grant subject to the provisions of early termination thereof. The amount payable by the grantee of an Option to the Company on acceptance of the offer for the grant of an option is HK$1.00.

The exercise price shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date on which an Option is offered to a Participant (the "Offer Date"), which must be a business day; (ii) the average closing prices of the shares as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the Offer Date; and (iii) the nominal value of a share on the date of grant of the Option, provided that in the event of fractional prices, the exercise price per share shall be rounded upwards to the nearest whole cent.

There were no share options outstanding under the Share Option Scheme nor were any Option granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme for the period from the date of Listing up to the date of this report.

The Company by resolution in a general meeting or the Board may at any time terminate the operation of the Share Option Scheme and in such event no further Option will be offered but Option granted prior to such termination shall continue to be valid and exercisable in accordance with provisions of the Share Option Scheme.

PENSION SCHEMES

The employees of the Group's subsidiaries which operate in mainland China are required to participate in a defined contribution pension scheme centrally operated by the local municipal government. These subsidiaries are required to contribute a certain proportion of its payroll costs to the central pension scheme. The only obligation of the Company with respect to the central pension scheme is to make the required contributions. No forfeited contribution under the central pension scheme is available to reduce the contribution payable in future years. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

The Group also participates in a pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (''MPF Scheme'') for all employees in Hong Kong, which is a defined contribution retirement scheme. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of 5% of eligible employees' relevant aggregate income and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. No forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

DONATIONS

No charitable and other donations were made by the Group during the year ended 31 December 2021.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme, no equity-linked agreements were entered into during the year ended 31 December 2021.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group persists in maintaining good corporate governance and operating in compliance with the laws and integrity through abidance by relevant laws and regulations, industry regulations and business ethics. For the year ended 31 December 2021 and up to the date of this report, the Company had not been and were not a party to any material legal, arbitral or administrative proceedings, and the Company was not aware of any pending or threatened legal, arbitral or administrative proceedings against the Company or any of the Directors which could have a material adverse effect on the Company's operations or financial condition.

ENVIRONMENTAL POLICY AND PERFORMANCE

The Group recognises the importance of environmental protection and adopts stringent measures for environmental protection in order to ensure the compliance to the prevailing environmental protection laws and regulations.

Given the nature of operations of the Group, the Group believe the Group is not subject to material environmental liability risk or compliance costs.

The Environmental, Social and Governance Report of the Company will be published in accordance with Appendix 27 of the Listing Rules in a separate report to be published onto the websites of the Company and the Stock Exchange.

REPORT OF THE DIRECTORS

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this report, the Company has maintained a sufficient public float for the issued Shares as required under the Listing Rules.

EVENTS AFTER THE REPORTING PERIOD

The Group does not have any material event subsequent to 31 December 2021 and up to the date of this report.

LITIGATION

Lawsuit against The People's Hospital of Ne He (訥河市人民醫院) ("Ne He Hospital") and Nehe City Investment Co., Ltd. ("Ne He Investment")

As disclosed in the voluntary announcement of the Company dated 4 September 2019, Nanshan Leasing, as plaintiff, has filed a lawsuit against Ne He Hospital at No. 3 Intermediate People's Court of Tianjin (i.e. the Court) for a total sum of RMB78,896,862.82, and Nehe City Investment Co., Ltd. for holding joint liability for the above outstanding total sum, being, among others, the unpaid rental fee owed by Ne He Hospital, the outstanding rental fee for the remaining term and other expenses incurred by Nanshan Leasing under the relevant finance leasing agreement (the "Agreement with Ne He Hospital") and the relevant guarantee agreement entered into between Nanshan Leasing and Ne He Investment.

Subsequently, the Court issued a civil judgment (民事判決書) dated 6 December 2019. Pursuant to the judgment:

1. Ne He Hospital shall pay Nanshan Leasing a sum of RMB61,181,375, being all unpaid rental fee and retention purchase price, within ten(10) days from the date of the judgement;

2. Ne He Hospital shall pay Nanshan Leasing shall pay the Nanshan Leasing an overdue fine of RMB1,374,456.08 as at 24 October 2019 within ten (10) days from the date of the judgment, and pay the overdue fine accrued from 25 October 2019 up to the actual payment date (based on RMB10,636,255, calculated at an annual interest rate of 24%), the deposit in the sum of RMB105,416.47 after offsetting the case management fee; will be applied towards payment of the aforesaid overdue fine; and

3. Ne He Investment held jointly and severally responsible for the aforesaid payment responsibility of Ne He Hospital. After Ne He Investment has assumed the payment liability, it shall have the right to recover the same from the Ne He Hospital.

Verdict handed down by the Court on 20 October 2020 where the Court will seize assets of guarantor, including bank accounts and assets. During 2021, the Court has been in the process of valuing certain seized assets. To the best knowledge, information and belief of the Directors after making reasonable enquiries, as at the date of this report, valuation has been arranged by the Court and is still underway. After auction, proceeds from auction will be paid to Company as settlement.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its subsidiaries or its holding companies was a party or were parties and in which a Director or any entities connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

During the Reporting period, there was no contract of significance between the Company or its holding company or any of its subsidiaries and any controlling shareholder or any of its subsidiaries.

During the Reporting Period, none of the Company or any of its subsidiaries has entered into any contract of significance for the provision of services by any controlling shareholders or any of its subsidiaries.

TAX RELIEF

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the Company's listed securities.

BUSINESS REVIEW

Detailed business review and outlook and plans are set out in the section of "Management Discussion and Analysis" in this report from pages 4 to 12. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company and its subsidiaries.

CONTINGENT LIABILITIES

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

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the section headed "Corporate Governance Report" from pages 19 to 32 of this report.

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 were audited by SHINEWING and they have issued an unqualified opinion. SHINEWING shall retire and, being eligible, offer themselves for re-appointment at the annual general meeting. A resolution to reappoint SHINEWING as auditors of the Company and to authorise the Directors to fix the auditors' remuneration will be proposed at the forthcoming annual general meeting.

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

Hong Kong, 29 March 2022

INDEPENDENT AUDITOR'S REPORT

SHINEWING (HK) CPA Limited
43/F., Lee Garden One, 33 Hysan Avenue
Causeway Bay, Hong Kong

信永中和(香港)會計師事務所有限公司
香港銅鑼灣希慎道33號
利園一期43樓

TO THE MEMBERS OF INTERNATIONAL ALLIANCE FINANCIAL LEASING CO., LTD
國際友聯融資租賃有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of International Alliance Financial Leasing Co., Ltd (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") set out on pages 51 to 107, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Expected credit loss provision of finance lease receivables

Refer to accounting policy on pages 69 to 72 and notes 4, 17 and 30 to the consolidated financial statements.

The key audit matter

We identified the expected credit loss ("ECL") provision of finance lease receivables as a key audit matter as finance lease receivables are material to the Group, and the management of the Group exercises significant judgements on whether credit risk of a finance lease receivable has increased significantly since initial recognition, whether a finance lease receivable is credit-impaired, and estimation in key inputs used for measuring ECL, which including probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD").

As at 31 December 2021, the carrying amount of finance lease receivables, net of ECL provision, was approximately RMB2,019,960,000. The Group adopted IFRS 9 Financial Instruments and recognised accumulated impairment losses on finance lease receivables of approximately RMB260,489,000 on the basis of ECL as at 31 December 2021.

How the matter was addressed in our audit

Our procedures in relation to ECL provision of finance lease receivables included:

- Understanding the ECL model used by the Group;
- Evaluating the reasonableness of critical assumptions and methods applied in the ECL model;
- Performing credit review of finance lease receivables to determine if for a finance lease receivable, its credit risk has increased significantly since initial recognition or is credit-impaired, and reasonableness of expected future cash flows from the lessees, guarantors, or disposal of underlying assets to determine LGD;
- Testing subsequent settlements of credit- impaired finance lease receivables, by inspecting supporting documents in relation to cash receipt from lessees subsequent to the end of the current reporting period; and
- Evaluating the disclosures regarding the impairment assessment of finance lease receivables in the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS OF THE COMPANY AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors of the Company determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion, solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the Company's directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

(Continued)

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, action taken to eliminate threats or safeguard applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Lee Shun Ming.

SHINEWING (HK) CPA Limited
Certified Public Accountants
Lee Shun Ming
Practising Certificate Number: P07068

Hong Kong
29 March 2022

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	6	**231,843**	248,046
Other income, gains or losses	7	**16,579**	11,896
Total revenue and other income, gains or losses		**248,422**	259,942
Finance costs	8	**(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	9	**3,103**	(82,242)
Profit before tax	10	**122,856**	12,817
Income tax (expense) credit	11	**(43,957)**	3,793
Profit for the year		**78,899**	16,610
Other comprehensive expense:			
Item that may be reclassified subsequently to profit or loss:			
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)			
Basic and diluted	13	**0.0526**	0.0111

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Plant and equipment	15	**453**	99
Right-of-use assets	16	**763**	2,068
Intangible assets		**1,442**	1,794
Finance lease receivables	17	**994,471**	1,376,356
Other receivables	18	**—**	3,500
Deferred tax assets	19	**94,964**	112,075
		1,092,093	1,495,892
Current assets			
Finance lease receivables	17	**1,025,489**	1,327,549
Financial asset at fair value through profit or loss	20	**48,000**	50,457
Prepayment and other receivables	18	**29,130**	27,278
Bank balances	21	**241,822**	208,330
		1,344,441	1,613,614
Current liabilities			
Bills and other payables	22	**101,934**	170,042
Deposits from finance lease customers	17	**57,709**	23,827
Lease liabilities	16	**678**	1,561
Income tax payables		**17,219**	30,010
Deferred income	23	**13,040**	9,948
Borrowings	24	**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
Capital and reserves			
Share capital	26	**10**	10
Reserves		**1,273,464**	1,195,440
Total equity		**1,273,474**	1,195,450
Non-current liabilities			
Deposits from finance lease customers	17	**162,196**	174,078
Lease liabilities	16	**—**	692
Deferred income	23	**14,404**	14,872
Borrowings	24	**625,960**	558,881
		802,560	748,523
		2,076,034	1,943,973

The consolidated financial statements on pages 51 to 107 were approved and authorised for issue by the board of directors on 29 March 2022 and are signed on its behalf by:

Mr. Li Luqiang
Director

Mr. Jiao Jianbin
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital RMB'000	Reserves							Total RMB'000
		Share premium RMB'000 (note i)	Share reserve RMB'000 (note ii)	Surplus reserve RMB'000 (note iii)	Translation reserve RMB'000	Retained profits RMB'000	Subtotal RMB'000		
At 1 January 2020	10	1,204,120	(42,520)	14,335	2,208	4,919	1,183,062		1,183,072
Profit for the year	—	—	—	—	—	16,610	16,610		16,610
Other comprehensive expense for the year	—	—	—	—	(4,232)	—	(4,232)		(4,232)
Total comprehensive (expense) income for the year	—	—	—	—	(4,232)	16,610	12,378		12,378
Transfer to statutory surplus	—	—	—	369	—	(369)	—		—
At 31 December 2020 and 1 January 2021	**10**	**1,204,120**	**(42,520)**	**14,704**	**(2,024)**	**21,160**	**1,195,440**		**1,195,450**
Profit for the year	**—**	**—**	**—**	**—**	**—**	**78,899**	**78,899**		**78,899**
Other comprehensive expense for the year	**—**	**—**	**—**	**—**	**(875)**	**—**	**(875)**		**(875)**
Total comprehensive (expense) income for the year	**—**	**—**	**—**	**—**	**(875)**	**78,899**	**78,024**		**78,024**
Transfer to statutory surplus	**—**	**—**	**—**	**3,011**	**—**	**(3,011)**	**—**		**—**
At 31 December 2021	**10**	**1,204,120**	**(42,520)**	**17,715**	**(2,899)**	**97,048**	**1,273,464**		**1,273,474**

Notes:

(i) Share premium represented the difference between the shareholders' contribution and issued capital.

(ii) Share 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.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 *RMB'000*	2020 *RMB'000*
OPERATING ACTIVITIES		
Profit before tax	**122,856**	12,817
Adjustments for:		
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)
Investment and interest income	**(5,282)**	(2,747)
Net exchange losses	**317**	3,099
Finance costs	**89,793**	128,821
Impairment losses (reversed) recognised on financial assets	**(3,103)**	82,242
Operating cash flows before movements in working capital	**207,437**	229,358
Decrease (increase) in finance lease receivables	**713,107**	(107,456)
Decrease (increase) in financial asset at fair value through profit or loss	**2,457**	(50,457)
Increase in prepayment and other receivables	**(22,656)**	(5,735)
(Decrease) increase in bills and other payables	**(68,108)**	167,612
Increase in deferred income	**2,624**	6,599
Increase in deposits from finance lease customers	**3,417**	25,582
Cash generated from operations	**838,278**	265,503
Income tax paid	**(39,637)**	(32,910)
Interest paid	**(2,314)**	(6,168)
Net cash from operating activities	**796,327**	226,425
INVESTING ACTIVITIES		
Purchase of plant and equipment	**(1,556)**	(65)
Proceeds from disposal of plant and equipment	**3**	4
Withdrawal from restricted bank balances	**174,595**	136,381
Placement of restricted bank balances	**(101,971)**	(278,362)
Investment and interest income	**5,282**	2,747
Net cash from (used in) investing activities	**76,353**	(139,295)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Note	2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES			
Repayment of bonds issued		—	(280,201)
Proceeds from borrowings		**626,000**	604,000
Repayments of borrowings		**(1,276,122)**	(533,357)
Repayments of lease liabilities		**(1,575)**	(4,655)
Interest paid for bonds issued		—	(17,423)
Interest paid for borrowings		**(110,845)**	(74,072)
Interest paid for lease liabilities		**(314)**	(416)
Net cash used in financing activities		**(762,856)**	(306,124)
Net increase (decrease) in cash and cash equivalents		**109,824**	(218,994)
Cash and cash equivalents at beginning of the year		**35,705**	257,608
Effects of foreign exchange rate changes		**(3,708)**	(2,909)
Cash and cash equivalents at end of the year	*27*	**141,821**	35,705

1. GENERAL INFORMATION

International Alliance Financial Leasing Co., Ltd. (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. 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 principal activities of the subsidiaries are set out in note 33.

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.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied, for the first time, the following amendments to IFRSs issued by the International Accounting Standards Board ("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.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

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

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	66,541

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. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values, at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date regardless of whether that price is directly observable or estimated using another valuation technique. Details of fair value measurement are explained in the accounting policies set out below.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between entities of the Group are eliminated in full on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

Revenue is recognised to depict the transfer of promised services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those services. Specifically, the Group uses a 5-step approach to revenue recognition:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the services underlying the particular performance obligation is transferred to the customers.

A performance obligation represents service (or a bundle of services) that is distinct or a series of distinct services that are substantially the same.

Revenue arising from service is recognised at a point in time when the services are completed.

Revenue relates to lease refer to the accounting policy in respect of lease.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised and included in "other income, gains or losses" and "finance costs" in profit or loss using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Leasing

Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease, at inception of the contract or modification date or acquisition date, as appropriate. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

At the commencement date, the Group measures lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

Lease liability is remeasured (and with a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using revised discount rate.
- the lease payments change due to a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost less accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

Lease modification (Continued)

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset.

The Group as lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases. Finance lease income is recognised and included in revenue.

Allocation of consideration to components of a contract

When a contract includes both lease and non-lease components, the Group applies IFRS 15 to allocate the consideration under the contract to each component. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

For operating lease

For operating lease The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

For finance lease

The Group accounts for a change in the lease payments of a finance lease as a lease modification, that is not accounted for as a separate lease, in accordance with the requirements of IFRS 9. If the change represents a substantial modification, the finance lease receivables of the original lease are derecognised and a derecognition gain or loss calculated using the revised lease payments discounted at the rate used for the head lease is recognised in profit or loss on the date of the modification. If the change does not represent substantial modification, the Group shall continue to recognise in which such carrying amount will be calculated at the present value of the modified contractual cash flows discounted at the finance lease receivables' original discount rate. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the effective date of modification.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leasing *(Continued)*

The Group as lessee *(Continued)*

Sale and leaseback transactions

The Group acts as a buyer-lessor

For a transfer of asset that does not satisfy the requirements of IFRS 15 to be accounted for as a sale of asset, the Group as a buyer-lessor does not recognise the transferred asset and recognises a finance lease receivable equal to the transfer proceeds within the scope IFRS 9.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

Borrowing costs

Borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits expenses for those services in profit or loss.

Retirement benefit costs

Payments to the government-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits *(Continued)*

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxation entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss.

Plant and equipment

Plant and equipment comprises computers, leasehold improvements and furniture and fixtures for administrative purpose. Plant and equipment are stated in the consolidated statement of financial position at costs less subsequent accumulated depreciation and subsequent accumulated impairment losses (if any).

Depreciation is recognised so as to write off the costs of assets less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

The estimated residual value rates and useful lives of each class of plant and equipment held by the Group for administrative purpose are as follows:

Classes	Estimated residual value rates	Useful lives
Computers	5%	5 years
Leasehold improvements	—	Shorter of lease term or 3 years
Furniture and fixtures	5%	3 years

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

All intangible assets of the Group are office software, which mainly includes finance leasing industry-specific business software, with an estimated useful life of 10 years. The useful life of the software is estimated based on the expected usage of the software and their technological obsolescence.

Impairment losses on plant and equipment, right-of-use assets and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating unit, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of plant and equipment, right-of-use assets and intangible assets (or a cash-generating unit) are estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of plant and equipment, right-of-use assets and intangible assets are not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment losses on plant and equipment, right-of-use assets and intangible assets *(Continued)*

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them.

Financial assets at amortised cost (debt instruments)

Financial assets that meet the following conditions are subsequently measured at amortised cost:

(a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

(b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at amortised cost (debt instruments) (Continued)

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses ("ECL"), through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset.

Interest income is recognised in profit or loss and is included in the "other income, gains or losses" line item (note 7).

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at FVTPL. Specifically:

(a) Investments in equity instruments are classified at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination at FVTOCI on initial recognition.

(b) Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at amortised cost (debt instruments) (Continued)

Financial assets at FVTPL *(Continued)*

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in 'other income, gains and losses'. Fair value is determined in the manner described in note 30.

A financial asset is held for trading if:

(a) it has been acquired principally for the purpose of selling it in the near term; or

(b) on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has evidence of a recent actual pattern of short-term profit-taking; or

(c) it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessment under ECL model on financial assets (including finance lease receivables, other receivables and bank balances) which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for finance lease receivables. The ECL on these financial assets are estimated using credit risk grades as a primary input into the determination of the term structure of the probability of default for exposures. The Group gathers performance and default information about lessees' credit risk exposures, with reference to the regions and the type of equipment under finance lease arrangement.

The Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the a foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an external credit rating of 'investment grade' as per globally understood definition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Significant increase in credit risk *(Continued)*

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Continued)

Write-off policy

The Group writes off financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceeding. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The ECL on finance lease receivables are estimated using credit risk grades as a primary input into the determination of the term structure of the probability of default for exposures. The Group gathers performance and default information about lessees' credit risk exposures, with reference to the regions and the type of equipment under finance lease arrangement.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition. For finance lease receivable, the cash flows used for determining the ECL is consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including deposits from finance lease customers, bills and other payables and borrowings are subsequently measured at amortised cost, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Cash and cash equivalents

Cash and short-term deposits in the consolidated statement of financial position comprises cash on hand and short-term deposits with a maturity of three months or less. Cash equivalents are the Group's short-term, highly liquid investments that are convertible to known amounts and which are subject to an insignificant risk of changes in value.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are made based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of finance lease receivables

Management of the Group estimates the amount of loss allowance for ECL on finance lease receivables based on the credit risk of the respective financial instrument. The loss allowance amount is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss of the respective financial instrument. The assessment of the credit risk of the respective financial instrument involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

As at 31 December 2021, the carrying amount of finance lease receivables amounted to RMB2,020.0 million (net of loss allowance of RMB260.5 million) (2020: RMB2,703.9 million (net of loss allowance of RMB287.9 million)).

Income taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the group entities filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made. As at 31 December 2021, deferred tax assets of RMB95.0 million (2020: RMB112.1 million) have been recognised. The current income tax expense and deferred income tax expense for the year ended 31 December 2021 are RMB26.8 million and RMB17.1 million respectively (2020: current income tax expense of RMB35.9 million and deferred income tax credit of RMB39.7 million respectively).

5. 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 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 conform with IFRSs and CODM regularly reviews the overall results, assets and liabilities of the Group as a whole to make decisions about resources allocation. Accordingly, no analysis of this single operating segment is presented.

Geographical information

(a) The revenues from external customers of the Group are mainly generated in the PRC.

(b) The non-current assets are located in the PRC.

Information about major customers

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

	2021 *RMB'000*	2020 *RMB'000*
Customer A[1]	**98,892**	80,905

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

6. REVENUE

	2021 *RMB'000*	2020 *RMB'000*
Finance lease income	**231,843**	248,046

7. OTHER INCOME, GAINS OR LOSSES

	2021 *RMB'000*	2020 *RMB'000*
Government grants (Note)	**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
	16,579	11,896

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.

8. FINANCE COSTS

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

9. IMPAIRMENT LOSSES REVERSED (RECOGNISED) ON FINANCIAL ASSETS

	2021 **RMB'000**	2020 RMB'000
Finance lease receivables *(Note 17)*	**27,407**	(79,658)
Other receivables *(Note 18)*	**(24,304)**	(2,584)
	3,103	(82,242)

10. PROFIT BEFORE TAX

	2021 **RMB'000**	2020 RMB'000
Profit before tax has been arrived at after charging (crediting):		
Directors' remuneration *(Note 14)*	**3,278**	3,093
Salaries, bonus and other employee benefits	**6,156**	5,326
Retirement benefits schemes contributions	**1,690**	1,107
Total staff costs	**11,124**	9,526
Auditor's 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)

11. INCOME TAX EXPENSE (CREDIT)

	2021 RMB'000	2020 RMB'000
Current income tax		
PRC Enterprise Income Tax *(Note a)*	**26,846**	35,922
Deferred income tax expense (credit) *(Note 19)*	**17,111**	(39,715)
	43,957	(3,793)

The income tax expense (credit) for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021 RMB'000	2020 RMB'000
Profit before tax	**122,856**	12,817
Tax at the statutory rate of 25% (2020: 25%)	**30,714**	3,204
Tax effect of income not taxable for tax purpose	**(3,103)**	(9,053)
Tax effect of expenses not deductible for tax purpose	**15,978**	3,038
Effect of unused tax losses not recognised as deferred tax assets	**620**	338
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(252)**	(1,320)
Income tax expense (credit) for the year	**43,957**	(3,793)

The unused tax losses as at 31 December 2021 and 2020 are analysed as follows:

	2021 RMB'000	2020 RMB'000
Unused tax losses not recognised as deferred tax assets	**22,430**	18,675
Potential tax benefit @25% for the PRC entities	**2**	3
Potential tax benefit @16.5% for Hong Kong entity	**3,700**	3,079

The expiry dates of the unused tax losses as at 31 December 2021 and 2020 are listed as follows:

	2021 RMB'000	2020 RMB'000
Year 2021 for PRC entities	**—**	6
Year 2022 for PRC entities	**1**	1
Year 2023 for PRC entities	**6**	6
Year 2024 for PRC entities	**—**	—
Indefinite for Hong Kong entity	**22,423**	18,662
	22,430	18,675

11. INCOME TAX EXPENSE (CREDIT) *(Continued)*

Notes:

(a) PRC Enterprise Income Tax

The income tax provision of the Group in respect of its operations in the PRC was calculated at the tax rate of 25% on the assessable profits for the reporting period, based on the existing legislation, interpretations and practices in respect thereof.

(b) Hong Kong Profits Tax

Hong Kong Profits Tax rate is 16.5%. No Hong Kong Profits Tax was provided for as there was no estimated assessable profits that was subject to Hong Kong Profits Tax during both years.

(c) Cayman Islands Income Tax

The Company is incorporated under the laws of the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and is not subject to Cayman Islands income tax.

(d) British Virgin Islands ("BVI") Income Tax

The subsidiaries indirectly held by the Company are incorporated under the laws of BVI as an exempted company with limited liability under the Companies Law of the BVI and are not subject to BVI income tax.

12. 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).

13. EARNINGS PER SHARE

The calculation of basic earnings per share is as follows:

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

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.

14. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Directors

The remunerations paid or payable to each of the directors and the Chief Executive of the Company (including remunerations paid or payable for their services as employees/directors of other group entities prior to their becoming directors of the Company) by the entities comprising the Group during the reporting period are as follows:

	Directors' fees *RMB'000*	Salaries *RMB'000*	Retirement benefits *RMB'000*	Other social welfare *RMB'000*	Total *RMB'000*
2021					
Executive directors					
Mr. Li Luqiang *(note i)*	—	**1,146**	**108**	**37**	**1,291**
Mr. Li Zhixuan *(note v)*	—	**569**	**61**	**25**	**655**
Mr. Liu Zhenjiang *(note vi)*	—	**411**	**93**	**37**	**541**
Non-executive director					
Mr. Jiao Jianbin	—	—	—	—	—
Independent non-executive directors					
Mr. Liu Changxiang	**147**	—	—	—	**147**
Mr. Liu Xuywei	**147**	—	—	—	**147**
Mr. Jiao Jian	**147**	—	—	—	**147**
Mr. Shek Lai Him Abraham *(note iv)*	**350**	—	—	—	**350**
	791	**2,126**	**262**	**99**	**3,278**

	Directors' fees *RMB'000*	Salaries *RMB'000*	Retirement benefits *RMB'000*	Other social welfare *RMB'000*	Total *RMB'000*
2020					
Executive directors					
Mr. Li Luqiang *(note i)*	—	1,468	64	32	1,564
Mr. Li Zhixuan	—	768	48	32	848
Ms. Xu Juan *(note ii)*	—	161	28	12	201
Non-executive director					
Mr. Jiao Jianbin *(note iii)*	—	—	—	—	—
Independent non-executive directors					
Mr. Liu Changxiang	160	—	—	—	160
Mr. Liu Xuywei	160	—	—	—	160
Mr. Jiao Jian	160	—	—	—	160
	480	2,397	140	76	3,093

14. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(a) Directors *(Continued)*

Notes:

(i) Mr. Li Luqiang was the Chief Executive of the Company for the years ended 31 December 2021 and 2020. His remunerations disclosed above cover his role as the Chief Executive of the Company.

(ii) Ms. Xu Juan was resigned as executive director in September 2020.

(iii) Mr. Jiao Jianbin was appointed as non-executive director in September 2020.

(iv) Mr. Shek Lai Him Abraham was appointed as independent non-executive director in July 2021.

(v) Mr. Li Zhixuan was resigned as executive director in September 2021.

(vi) Mr. Liu Zhenjiang was appointed as executive director in September 2021.

There was no arrangement under which directors of the Company or the Chief Executive waived or agreed to waive any remuneration during both years.

The executive directors' remuneration shown above were for their services in connection with the management of the affairs of the Company and the Group. The independent non-executive directors and non-executive directors' remuneration shown above were for their services as a director of the Group.

(b) Five highest paid individuals

The five individuals whose remunerations were the highest in the Group for the years ended 31 December 2021 and 2020, included three (2020: two) directors whose remunerations are reflected in the analysis presented above. The remunerations payable to the remaining two (2020: three) non-director individuals during the years ended 31 December 2021 and 2020 are as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Salaries	**1,364**	1,254
Retirement benefits	**91**	111
Other social welfare	**21**	64
	1,476	1,429

14. EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS *(Continued)*

(b) Five highest paid individuals *(continued)*

The number of the two (2020: three) highest paid non-director individuals fell within the following bands are set out below:

	2021	2020
Nil to Hong Kong Dollars ("HKD") 1,000,000	**1**	3
HKD1,000,001 to HKD1,500,000	**1**	—

During the year, no emoluments were paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

15. PLANT AND EQUIPMENT

	2021 ***RMB'000***	2020 *RMB'000*
Cost		
At beginning of the year	**656**	2,870
Additions	**1,556**	65
Disposals	**(324)**	(70)
Write-off	**—**	(2,209)
At end of the year	**1,888**	656
Accumulated depreciation		
At beginning of the year	**(557)**	(2,823)
Provided for the year	**(1,185)**	(10)
Eliminated on disposals	**307**	67
Eliminated on write-off	**—**	2,209
At end of the year	**(1,435)**	(557)
Net book value at end of the year	**453**	99

Plant and equipment mainly includes computers, leasehold improvements and furniture and fixtures.

16. LEASES

(i) Right-of-use assets

	2021 ***RMB'000***	2020 *RMB'000*
Office and staff quarters	**763**	2,068

The Group has lease arrangements for offices and staff quarters. The lease terms are generally ranged from two to five years.

None of these leases include extension options and variable lease payments.

16. LEASES *(Continued)*

(ii) Lease liabilities

	2021 RMB'000	2020 RMB'000
Non-current	—	692
Current	**678**	1,561
	678	2,253

Amounts payable under lease liabilities:	2021 RMB'000	2020 RMB'000
Within one year	**678**	1,561
After one year but within two years	—	692
	678	2,253
Less: Amount due for settlement within 12 months (shown under current liabilities)	**(678)**	(1,561)
Amount due for settlement after 12 months	—	692

(iii) Amounts recognised in profit or loss

	2021 RMB'000	2020 RMB'000
Depreciation expense on right-of-use assets	**1,305**	4,765
Interest expense on lease liabilities	**314**	416
Expense relating to short-term leases	**1,983**	457
Expense relating to leases of low value assets	—	48

(iv) Others

At 31 December 2021 and 2020, the Group has no committed lease agreements not yet commenced.

During the year ended 31 December 2021, the total cash outflow for leases amounted to approximately RMB3,872,000 (2020: RMB5,576,000).

(v) Restrictions or covenants on leases

As at 31 December 2021, lease liabilities of RMB678,000 are recognised with related right-of-use assets of RMB763,000 (2020: lease liabilities of RMB2,253,000 and related right-of-use assets of RMB2,068,000). The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

17. 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 determined at the contract date over the lease terms.

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

	2021 *RMB'000*	2020 *RMB'000*
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	**23,477**	106,411
Gross investment in leases	**2,590,611**	3,445,058
Less: unearned finance income	**(310,162)**	(453,223)
Present value of minimum lease payments receivable	**2,280,449**	2,991,835
Less: allowance for impairment losses	**(260,489)**	(287,930)
	2,019,960	2,703,905
Analysed for reporting purposes as:		
Current assets	**1,025,489**	1,327,549
Non-current assets	**994,471**	1,376,356
	2,019,960	2,703,905

The following table presents the amounts included in profit or loss:

	2021 *RMB'000*	2020 *RMB'000*
Finance income on the net investment in finance lease	**227,516**	239,390

The Group's finance lease arrangements do not include variable payments.

The average term of finance leases entered into is ranged from 2 to 8 years (2020: ranged from 2 to 8 years).

17. FINANCE LEASE RECEIVABLES *(Continued)*

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

	2021			
	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*	Total *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 ECL	**2,556**	**(2,556)**	**—**	**—**
— Transferred to Lifetime ECL not credit-impaired	**—**	**20,984**	**(20,984)**	**—**
Provided for the year *(Note)*	**807**	**—**	**27,791**	**28,598**
Reversal for the year *(Note)*	**(4,034)**	**(21,619)**	**(30,352)**	**(56,005)**
Foreign currency translation	**—**	**—**	**(34)**	**(34)**
Balance at 31 December 2021	**2,787**	**235**	**257,467**	**260,489**
Expected loss rate	**0.16%**	**0.31%**	**61.31%**	**11.42%**

	2020			
	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*	Total *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 *(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	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.

17. FINANCE LEASE RECEIVABLES *(Continued)*

(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 *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*
12m ECL	**1,786,045**	**(2,787)**	**1,783,258**	1,982,868	(3,458)	1,979,410
Lifetime ECL not credit-impaired *(Note a)*	**74,456**	**(235)**	**74,221**	338,040	(3,426)	334,614
Lifetime ECL credit-impaired *(Note b)*	**419,948**	**(257,467)**	**162,481**	670,927	(281,046)	389,881
	2,280,449	**(260,489)**	**2,019,960**	2,991,835	(287,930)	2,703,905

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.

17. FINANCE LEASE RECEIVABLES *(Continued)*

(iv) The Group entered into sale and repurchase agreements or clauses (note 28) 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: RMB629.3 million). The details of such finance lease receivables are as follows:

	2021 *RMB'000*	2020 *RMB'000*
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 borrowing as at 31 December 2020. The secured and guaranteed borrowings were early repaid during 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 *RMB'000*
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 *RMB'000*
Annual internal rate of return	**5.23%–12.55%**	5.23%–12.55%
Average annual internal rate of return	**7.32%**	7.86%

17. FINANCE LEASE RECEIVABLES *(Continued)*

(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 *RMB'000*	2020 *RMB'000*
Analysed for reporting purposes as:		
Floating rate of return	**688,599**	1,190,765
Fixed rate of return	**1,331,361**	1,513,140
	2,019,960	2,703,905

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).

18. PREPAYMENT AND OTHER RECEIVABLES

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

Movements of allowances for impairment losses are as follows:

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

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.

19. 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 *RMB'000*	2020 *RMB'000*
Deferred tax assets	**96,788**	114,893
Deferred tax liabilities	**(1,824)**	(2,818)
	94,964	112,075

Movements in balances of deferred tax assets

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

	Deductible (taxable) temporary difference		Deferred tax assets (liabilities)	
	2021 *RMB'000*	2020 *RMB'000*	**2021** *RMB'000*	2020 *RMB'000*
Allowance for impairment	**271,907**	296,544	**67,977**	74,136
Unearned finance lease income	**86,677**	87,332	**21,669**	21,833
Accrued interest expenses	**20,193**	62,456	**5,048**	15,614
Deferred income from finance lease	**(7,296)**	(11,272)	**(1,824)**	(2,818)
Unused tax losses	**8,375**	13,240	**2,094**	3,310
	379,856	448,300	**94,964**	112,075

Unrecognised deductible temporary differences

	2021 *RMB'000*	2020 *RMB'000*
Allowance for impairment	**1,504**	1,572
Potential tax benefit at 16.5% for Hong Kong entity	**248**	259

20. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 *RMB'000*	2020 *RMB'000*
Financial asset at FVTPL comprises:		
Listed bond investment	**48,000**	50,457

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

The fair value of these investments is disclosed in note 30.

21. BANK BALANCES

	2021 *RMB'000*	2020 *RMB'000*
Bank balances	**241,822**	208,330
Including: Restricted bank balances	**100,001**	172,625

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

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

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

22. BILLS AND OTHER PAYABLES

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

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

23. DEFERRED INCOME

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

24. BORROWINGS

	2021 *RMB'000*	2020 *RMB'000*
Secured and guaranteed borrowings *(note i)*	—	66,541
Secured and unguaranteed borrowings *(note ii)*	**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 *(note iii)*	**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 as detailed in note 17, and were also guaranteed by Nanshan Group Co., Ltd ("Nanshan Group"). During 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.

24. BORROWINGS *(Continued)*

Notes: (Continued)

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 as detailed in note 17.

iii. Other borrowings represented unguaranteed and unsecured payable at a fixed rate of 4.5%–7.54% per annum (2020: fixed rate of 4.5% per annum) from independent parties within 3 years (2020: 3 years) duration.

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

	2021 *RMB'000*	2020 *RMB'000*
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	**300,754**	**147,516**
	795,880	**1,144,619**

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 *RMB'000*	2020 *RMB'000*
Fixed-rate borrowing	**3.80%–8.00%**	**3.80%–8.21%**
Floating-rate borrowing	—	**3-month LIBOR+3.00%–3.25%**

25. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including the cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Borrowings *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
As 1 January 2021	**(1,489,026)**	**(2,253)**	**(1,491,279)**
Financing cash flows *(Note)*	**760,967**	**1,889**	**762,856**
Finance cost recognised	**(68,582)**	**(314)**	**(68,896)**
Foreign exchange difference	**761**	**—**	**761**
As 31 December 2021	**(795,880)**	**(678)**	**(796,558)**

	Bonds issued *RMB'000*	Borrowings *RMB'000*	Lease liabilities *RMB'000*	Total *RMB'000*
As 1 January 2020	(280,201)	(1,397,699)	(6,908)	(1,684,808)
Financing cash flows *(Note)*	297,624	3,429	5,071	306,124
Finance cost recognised	(17,423)	(100,922)	(416)	(118,761)
Foreign exchange difference	—	6,166	—	6,166
As 31 December 2020	—	(1,489,026)	(2,253)	(1,491,279)

Note: The cash flows represent the repayments of bonds issued, proceeds from borrowings, repayments of borrowings, repayments of lease liabilities and interests paid in consolidated statement of cash flows.

26. SHARE CAPITAL OF THE COMPANY

	Number of shares		
	Ordinary	Total	USD
Authorised			
1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	50,000,000,000	50,000,000,000	50,000

	Number of shares			
	Ordinary	Total	USD	RMB
Issued				
At 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	1,500,000,000	1,500,000,000	1,500	10,039

27. CASH AND CASH EQUIVALENTS

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent:

	2021	2020
	RMB'000	*RMB'000*
Bank balances	**141,821**	35,705

28. TRANSFERS OF FINANCIAL ASSETS

The Group entered into agreements with financial institutions to transfer its finance lease receivables and also simultaneously agreed to repurchase these finance lease receivables at the agreed date and agreed price. As the repurchase prices were fixed, the Group retained substantially all the risks and rewards of these finance lease receivables and they were not derecognised. Therefore, the considerations received were recognised as borrowings with these finance lease receivables as "collateral". As at 31 December 2021, the carrying amounts of the transferred finance lease receivables which had not been derecognised by the Group amounted to RMB326.7 million (2020: RMB629.3 million); and the carrying amounts of the corresponding borrowings amounted to RMB61.8 million (2020: RMB342.7 million) (note 24).

29. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings disclosed in note 24, net of cash and cash equivalents and equity attributable to owners of the Company comprising issued share capital and reserves including retained profits.

The directors of the Company review the capital structure regularly and consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance the overall capital structure through new share issues and financing through new borrowings or bond issuances.

30. FINANCIAL RISK MANAGEMENT

Categories of financial instruments

	2021 RMB'000	2020 RMB'000
Financial asset:		
Financial asset at FVTPL	**48,000**	50,457
Financial assets at amortised cost	**250,742**	232,210
Financial liabilities:		
Financial liabilities at amortised cost	**1,117,719**	1,856,817

Financial risk management objectives and policies

The Group's major financial instruments include financial asset at FVTPL, other receivables, bank balances, bills and other payables, deposits from finance lease customers and borrowings. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group has certain cash and cash equivalents denominated in foreign currencies, i.e. currencies other than the functional currency of the subsidiaries of the Company, which expose the Group to currency risk. The Group currently does not have a foreign exchange hedging policy. However, the management of the Group monitors foreign exchange exposure and will consider hedging significant foreign exchange exposure should the need arise.

The Group is mainly exposed to the currency risk arising from HKD and USD.

The carrying amounts of the Group's foreign currency dominated monetary assets at the end of the reporting period are as follows:

	Assets	
	2021 RMB'000	2020 RMB'000
HKD	**1,106**	9,772
USD	**5,306**	3,583

30. FINANCIAL RISK MANAGEMENT *(Continued)*

Currency risk *(Continued)*

Sensitivity analysis

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in the relevant foreign currencies against RMB. 5% (2020: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 5% (2020: 5%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit and other equity where HKD and USD strengthen 5% (2020: 5%) against the RMB. For a 5% (2020: 5%) weakening of HKD and USD against the RMB, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative.

The table below indicates impacts on post-tax profit or loss and equity of a 5% (2020: 5%) appreciation or depreciation of all other currencies against RMB, respectively.

	HKD		USD	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Profit or loss				
5% appreciation	**41**	366	**199**	134
5% depreciation	**(41)**	(366)	**(199)**	(134)
Equity				
5% appreciation	**41**	366	**199**	134
5% depreciation	**(41)**	(366)	**(199)**	(134)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent currency risk as it does not consider any currency risk mitigating measures that management would take to reduce the risk exposure.

30. FINANCIAL RISK MANAGEMENT *(Continued)*

Interest rate risk

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of the prevailing market interest rates on floating-rate finance lease receivables (note 17), floating-rate bank balances (note 21) and floating-rate borrowings (note 24). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and PBOC rate arising from the Group's RMB denominated borrowings.

The Group is exposed to fair value interest rate risk in relation to fixed-rate finance lease receivables, bills payables, deposits from customers and bank borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook. The management will review the proportion of borrowings in fixed and floating rates and ensure they are within reasonable range.

The Group's exposure to cash flow interest rate risk in relation to bank balances is minimal.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to variable-rate borrowings. The analysis is prepared assuming the amount of variable-rate borrowings that were outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2020: 50 basis points) increase or decrease represents management's assessment of the reasonably possible change in interest rates. Bank balances are excluded from sensitivity analysis as the management considers that the exposure of cash flow interest rate risk arising from floating-rate bank balances is insignificant.

	2021 ***RMB'000***	2020 *RMB'000*
Impact on profit before tax		
+50 basis point	—	1,722
–50 basis point	—	(1,722)

The impact on profit before tax to variable-rate finance lease receivables is approximately RMB3,443,000 as at 31 December 2021 (2020: RMB5,954,000).

Credit risk

The Group's credit risk is primarily the risk of the lessee unable to meet its contractual obligations. The Group's main income generating activity is supplying finance leasing service to customers and therefore credit risk is a principal risk. The Group considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

30. FINANCIAL RISK MANAGEMENT *(Continued)*

Credit risk *(Continued)*

Credit risk management

The Group's risk management department is responsible for managing the Group's credit risk by:

- Ensuring that the Group has appropriate credit risk practices, including an effective system of internal control, to consistently determine adequate allowances in accordance with the Group's stated policies and procedures, IFRS and relevant supervisory guidance.
- Creating credit policies to protect the Group against the identified risks including the requirements to obtain collateral from lessees, to perform robust ongoing credit assessment of lessees and to continually monitor exposures against internal risk limits.
- Limiting concentrations of exposure by type of asset, counterparties, industry, credit rating, geographic location etc.
- Developing and maintaining the Group's risk grading to categorise exposures according to the degree of risk of default. Risk grades are subject to regular reviews.
- Developing and maintaining the Group's processes for measuring ECL including monitoring of credit risk, incorporation of forward-looking information and the method used to measure ECL.
- Ensuring that the Group has policies and procedures in place to appropriately maintain and validate models used to assess and measure ECL.
- Establishing a sound credit risk accounting assessment and measurement process that provides it with tools and data to assess credit risk and to account for ECL. Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk.

Significant increase in credit risk

As explained in note 3, the Group monitors all financial assets (including other receivables, bank balances and finance lease receivables) that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk, the Group will measure the loss allowance based on lifetime rather than 12m ECL.

30. FINANCIAL RISK MANAGEMENT *(Continued)*

Credit risk *(Continued)*

Internal credit risk ratings

In order to minimise credit risk, the Group has tasked its risk management department to develop and maintain the Group's credit risk grading to categorise exposures according to their degree of risk of default. The Group's credit risk grading framework comprises twenty one categories. The credit rating information is based on a range of data that is determined to be predictive of the risk of default and applying experienced credit judgement. The nature of the exposure and type of lessee are taken into account in the analysis. Credit risk grades are defined using qualitative and quantitative factors that are indicative of risk of default.

The credit risk grades are designed and calibrated to reflect the risk of default as credit risk deteriorates. When the credit risk increases, the credit risk grades may be changed and result in the increase of the risk of default. Each counterparty is categorised to a credit risk grade at initial recognition, based on the available information about the counterparty. All exposures are monitored and the credit risk grade is updated to reflect latest information. The monitoring procedures followed are both general and tailored to the type of exposure.

The following data are typically used to monitor the Group's exposures:

- Payment record, including payment ratios and ageing analysis;
- Changes in business, financial and economic conditions;
- Credit rating information supplied by external rating agencies;
- For corporate exposures: information obtained by periodic review of customer files including audited financial statements, market data etc.

The Group uses credit risk grades as a primary input into the determination of the term structure of the probability of default ("PD") for exposures. The Group gathers performance and default information about lessees' credit risk exposures, with reference to the regions and the type of equipment under finance lease arrangement.

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group has monitoring procedures in place to make sure that the criteria used to identify significant increases in credit risk are effective, meaning that significant increase in credit risk is identified when the asset becomes 30 days past due. The Group performs periodic back-testing of its ratings to consider whether the drivers of credit risk that led to default were accurately reflected in the rating in a timely manner.

30. FINANCIAL RISK MANAGEMENT *(Continued)*

Credit risk *(Continued)*

Incorporation of forward-looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group uses external information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities, such as gross domestic product growth rates, unemployment rates and inflation rates, etc.

Measurement of ECL

The key inputs used for measuring ECL are PD, loss given default ("LGD") and exposure at default ("EAD").

As explained above, these figures are generally derived from internally developed statistical models and other historical data and they are adjusted to reflect probability-weighted forward-looking information.

PD is an estimate of the probability of default over a given time horizon. It is estimated as at a point in time. 12-month PD calculation is based on external rating and internal rating models, developed by the Group, in which the Group assessed using rating tools tailored to the various categories of counterparties and exposures. These internal rating models are based on market data (where available), as well as internal data comprising both quantitative and qualitative factors, and further adjusted to take into account estimates of future conditions that will impact 12-month PD. Life time PD is calculated on the basis of 12-month PD as well as considering the contractual maturities of risk exposures and the marginal default probability.

LGD is an estimate of the loss arising on default. It is determined based on the current practical experiences generally used in the financial industry by considering the factors including but not limited to the fair value of collaterals obtained or deposits received, and further adjusted to take into account estimated future conditions.

EAD is an estimate of the exposure at a future default date, representing future repayments of principal and interest and deposits.

Relevant information with regard to the exposure of credit risk and ECL for finance lease receivables and other receivables as at 31 December 2021 and 2020 are set out in notes 17 and 18.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

30. FINANCIAL RISK MANAGEMENT *(Continued)*

Credit risk *(Continued)*

Measurement of ECL *(Continued)*

The Group manages, limits, and controls the concentration of credit risks and, as far as possible, avoids risks concentration on single lessee, industry or region. The Group's finance lease receivables analysed by industry sectors that the customers are in are as follows:

	2021		2020	
	Amount RMB'000	Proportion %	Amount RMB'000	Proportion %
Public infrastructure	**553,617**	**27.41**	951,233	35.18
Healthcare	**634,336**	**31.40**	1,157,746	42.81
Chemical plant	**534,684**	**26.47**	—	—
Aviation	**211,221**	**10.46**	406,805	15.05
Others	**86,102**	**4.26**	188,121	6.96
	2,019,960	**100.00**	2,703,905	100.00

The Group manages customer limits to optimise the credit risk structure. The Group performs pre-project analysis of the lessee's ability to repay principal and interest, real-time supervision of the lessee's actual repayment status during the project to manage credit risks.

Other specific management and mitigation measures include:

(a) Guarantee

The Group has developed a series of policies to mitigate credit risk, including obtaining collateral/pledge, security deposit and guarantee from an enterprise or individual.

According to the characteristics of the finance lease, the Group has the ownership of the asset under the finance lease during the lease term. The Property Law of PRC stipulates the four powers and functions of ownership: possession, usage, benefit and punishment; it also stipulates that the owner has the right to establish usufructuary right and security interest over his own realty or chattel. Therefore, the Property Law protects the Group's effective rights. In the event of default, the Group is entitled to retrieve the asset.

In addition, the Group requests a third party guarantee or collateral from certain lessees, depending on the lessee's credit status and credit risk degree of the finance lease. The management evaluates the capability of the guarantor, the ownership and value of the mortgage and pledge and the feasibility of realising the mortgage and pledge.

(b) Insurance on the asset of the finance lease

For finance lease, the ownership of the underlying asset belongs to the Group before the expiry of the lease, but the risks and rewards in operational use and maintenance have been transferred to the lessee. Therefore, if any accidents occur to the asset, the lessee should immediately report them to the insurance company and notify the Group, provide accident report with relevant documents and settle claims with the insurance company.

30. FINANCIAL RISK MANAGEMENT *(Continued)*

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with loan covenants.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows.

The following tables detail the Group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been prepared using the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to repay. The maturity dates for other non-derivative financial liabilities are based on the agreed repayment dates. The tables include both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

	2021						
	Weighted average effective interest rate	Less than 1 month *RMB'000*	1 to 3 month *RMB'000*	3 to 12 months *RMB'000*	1 to 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
Financial liabilities							
Deposits from finance lease customers	**8.45%**	**23,365**	**9,500**	**49,815**	**175,312**	**257,992**	**219,905**
Borrowings	**6.89%**	**47,997**	**56,842**	**82,073**	**648,678**	**835,590**	**795,880**
Bills and other payables	**2.25%**	**—**	**1,934**	**100,752**	**—**	**102,686**	**101,934**
Total		**71,362**	**68,276**	**232,640**	**823,990**	**1,196,268**	**1,117,719**
Lease liabilities	**9.03%**	**131**	**394**	**262**	**—**	**787**	**678**

	2020						
	Weighted average effective interest rate	Less than 1 month *RMB'000*	1 to 3 month *RMB'000*	3 to 12 months *RMB'000*	1 to 5 years *RMB'000*	Total undiscounted cash flows *RMB'000*	Carrying amount *RMB'000*
Financial liabilities							
Deposits from finance lease customers	7.69%	2,000	5,000	7,260	191,622	205,882	197,905
Borrowings	6.89%	3,344	254,413	762,264	560,891	1,580,912	1,489,026
Bills and other payables	2.25%	—	1,986	169,264	—	171,250	169,886
Total		5,344	261,399	938,788	752,513	1,958,044	1,856,817
Lease liabilities	9.03%	144	432	1,152	864	2,592	2,253

The amounts included above arise from variable interest rate instruments for financial liabilities and are subject to change if changes in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

30. FINANCIAL RISK MANAGEMENT *(Continued)*

Fair value measurements recognised in the consolidated statement of financial position

The following table provides an analysis of financial instrument that is measured at fair value at the end of each reporting period for recurring measurement, grouped into Level 1 based on the degree to which the fair value is observable in accordance to the Group's accounting policy.

	2021 Level 1 ***RMB'000***	2020 Level 1 *RMB'000*
Financial asset at FVTPL		
Listed bond investment	**48,000**	50,457

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

Financial Instruments	Fair value hierarchy	Fair value as at **2021** ***RMB'000***	2020 *RMB'000*	Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
Listed bond investment	Level 1	**48,000**	50,457	Quoted bid prices in an active market	N/A	N/A	N/A

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

31. RELATED PAPTY 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	Note

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

Transactions with related parties

During the year, group entities entered into the following transactions with related parties that are not members of the Group:

	2021 ***RMB'000***	2020 *RMB'000*
Finance lease income generated from related parties:		
— Nanshan Group and its subsidiaries	**98,892**	80,905
Rental expense paid to related parties:		
— Nanshan Group and its subsidiaries	**1,983**	—

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

Finance lease receivables from related parties

	2021 ***RMB'000***	2020 *RMB'000*
Nanshan Group and its subsidiaries	**1,009,979**	835,029

31. RELATED PAPTY TRANSACTIONS *(Continued)*

Guarantee from related parties

Nanshan Group and its subsidiaries provided guarantees in respect of certain borrowings during the year ended 31 December 2020, of which RMB66.5 million remained outstanding at 31 December 2020. During the year ended 31 December 2021, the secured and guaranteed borrowings have been fully settled.

Compensation of key management personnel

The remunerations of key management personnel of the Group during the year were as follows:

	2021 ***RMB'000***	2020 *RMB'000*
Basic salary and allowances	**4,281**	3,175
Employer's contribution to pension schemes	**353**	145
Other social welfare	**120**	76
	4,754	3,396

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

32. RETIREMENT BENEFITS PLANS

The Group operates a Mandatory Provident Fund Scheme (the "Scheme") for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The employees of the Group's subsidiaries in PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute 8% of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The total expense recognised in profit or loss of RMB2.0 million for the year ended 31 December 2021 (2020: RMB1.2 million), represents contributions payable to these plans by the Group at rates specified in the rules of the plans. All contributions due in respect of the years ended have been paid to the plans.

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Details of the principal subsidiaries directly and indirectly held by the Company as at 31 December 2021 and 2020 are set out below:

Name of subsidiary	Place of incorporation/ establishment and place of operation/kind of legal entity	Class of shares held	Issued share/ paid-up/ registered capital	Proportion of ownership interest and voting rights held by the Group				Principal activities
				2021		2020		
				Direct	Indirect	Direct	Indirect	
World Alliance Co., Ltd,	BVI	Ordinary shares	USD137,033,000	**100%**		100%	—	Investment holding
Hong Kong Alliance Financial Leasing Co., Ltd	Hong Kong	Ordinary shares	USD137,033,000	—	**100%**	—	100%	Investment holding
Baoqing Alliance Ltd	BVI	Ordinary shares	USD50,000	—	**100%**	—	100%	Finance leasing
Baoying Alliance Ltd	BVI	Ordinary shares	USD50,000	—	**100%**	—	100%	Finance leasing
Baochun Alliance Ltd	BVI	Ordinary shares	USD50,000	—	**100%**	—	100%	Inactive
Nanshan Financial Leasing (Tianjin) Co., Ltd *(Note i)*	Tianjin, PRC	Ordinary shares	USD136,492,000	—	**100%**	—	100%	Finance leasing
Beijing Nanshan Jinchuang Information Consulting Co., Ltd. *(Note ii)*	Beijing, PRC	Ordinary shares	RMB2,000,000	—	**100%**	—	100%	Consulting
Tianjin Rongjin Enterprise Management & Consulting Co., Ltd *(Note ii)*	Tianjin, PRC	Ordinary shares	RMB2,000,000	—	**100%**	—	100%	Consulting
Nanshan Baozhong (Tianjin) Leasing Co., Ltd. *(Note ii)*	Tianjin, PRC	Ordinary shares	RMB100,000	—	**100%**	—	100%	Finance leasing
Nanshan Baochang (Tianjin) Leasing Co., Ltd. *(Note ii)*	Tianjin, PRC	Ordinary shares	RMB100,000	—	**100%**	—	100%	Finance leasing
Lian Hai Finance Limited *(Note iii)*	Hong Kong	Ordinary shares	HK$100	—	**100%**	—	100%	Inactive
深圳友聯海德企業管理諮詢有限公司(Notes ii & iii)	Shenzhen, PRC	Ordinary shares	RMB1,000,000	—	**100%**	—	100%	Finance leasing
友聯國際融資租賃 (深圳) 有限公司 *(Notes ii & iii)*	Shenzhen, PRC	Ordinary shares	RMB291,278,100	—	**100%**	—	100%	Finance leasing
New River Ventures Limited ("**New River**") *(Note iv)*	BVI	Ordinary shares	USD1	—	**100%**	—	—	Investment holding
Cheer Manor Limited ("**Cheer Manor**") *(Note iv)*	Hong Kong	Ordinary shares	HKD 1	—	**100%**	—	—	Investment holding
龍口智民教育諮詢服務有限公司 ("**龍口智民**") *(Note ii & iv)*	Shandong, PRC	Ordinary shares	RMB1,000,000	—	**100%**	—	—	Investment holding

Notes:

i) The company is a wholly foreign owned enterprise established in the PRC with limited liability under PRC law.

ii) The companies are corporate-owned enterprises established in the PRC with foreign investment with limited liability under PRC law.

iii) The company is incorporated during the year ended 31 December 2020.

iv) The company is incorporated during the year ended 31 December 2021.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Interest in a subsidiary		**924,465**	924,465
Amount due from a subsidiary	*(a)*	**—**	5,044
Right-of-use assets		**763**	2,068
Plant and equipment		**331**	—
		925,559	931,577
Current assets			
Prepayment and other receivables		**1,950**	879
Amounts due from subsidiaries	*(b)*	**321,103**	327,005
Bank balances		**5,279**	10,367
		328,332	338,251
Current liabilities			
Other payables		**1,078**	1,028
Lease liabilities		**678**	1,561
Amounts due to subsidiaries	*(b)*	**79,001**	73,093
		80,757	75,682
Net current assets		**247,575**	262,569
Total assets less current liabilities		**1,173,134**	1,194,146
Capital and reserves			
Share capital		**10**	10
Reserves		**1,173,124**	1,193,444
Total equity		**1,173,134**	1,193,454
Non-current liability			
Lease liabilities		**—**	692
		1,173,134	1,194,146

Notes:

(a) The amount is unsecured, interest free and repayable within 5 years in accordance with the agreement entered with the subsidiary. During the year ended 31 December 2021, the amount has been fully settled.

(b) The amounts due from (to) subsidiaries are unsecured, interest-free and repayable on demand.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Movement in the Company's reserves

	Share premium *RMB'000*	Accumulated losses *RMB'000*	Total *RMB'000*
At 1 January 2020	1,204,120	(19,670)	1,184,450
Profit and total comprehensive income for the year	—	8,994	8,994
At 31 December 2020 and 1 January 2021	1,204,120	(10,676)	1,193,444
Loss and total comprehensive expense for the year	—	(20,320)	(20,320)
At 31 December 2021	1,204,120	(30,996)	1,173,124

SUMMARY OF FINANCIAL INFORMATION

Key profit or loss items *(RMB thousand)*	For the year ended 31 December				
	2021	2020	2019	2018	2017
Revenue	**231,843**	248,046	260,876	358,061	308,747
Finance cost	**(89,793)**	(128,821)	(186,707)	(241,557)	(203,995)
Profit before income tax	**122,856**	12,817	(101,589)	62,683	52,229
Profit for the year	**78,899**	16,610	(84,692)	40,598	36,576

Key statement of financial position items *(RMB thousand)*	For the year ended 31 December				
	2021	2020	2019	2018	2017
Non-current assets	**1,092,093**	1,495,892	1,780,925	2,643,744	3,113,653
Current assets	**1,344,441**	1,613,614	1,303,035	1,568,526	1,649,837
Current liabilities	**360,500**	1,165,533	195,410	1,251,911	2,274,431
Total equity	**1,273,474**	1,195,450	1,183,072	941,996	909,496
Non-current liabilities	**2,076,034**	748,523	1,705,478	2,018,363	1,579,563

Return to shareholders	For the year ended 31 December				
	2021	2020	2019	2018	2017
Return on total assets *(Note 1)*	**3.2%**	0.5%	−2.3%	0.9%	0.8%
Return on equity *(Note 2)*	**6.2%**	1.4%	−8.0%	4.4%	4.3%
Earnings (Loss) per share					
— Basic (RMB Yuan per share)	**0.0526**	0.0111	−0.0605	0.0404	0.0371

Notes:

1. Return on total assets is derived from dividing profit for the year by the average of total assets as at the beginning and the end of the year and multiplied by 100%.

2. Return on equity is derived from dividing profit for the year by the average of total equity as at the beginning and the end of the year and multiplied by 100%.