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ALLIANCE INTERNATIONAL EDUCATION LEASING HOLDINGS LIMITED

友聯國際教育租賃控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1563)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023**

FINANCIAL HIGHLIGHTS

- For the six months ended 30 June 2023, the revenue amounted to approximately RMB298.2 million, as compared with that of approximately RMB133.2 million for the six months ended 30 June 2022.
- For the six months ended 30 June 2023, the profit for the period amounted to approximately RMB153.8 million, as compared with that of approximately RMB46.0 million for the six months ended 30 June 2022.
- As at 30 June 2023, the total assets amounted to approximately RMB3,563.8 million, representing a decrease of approximately 14.6% as compared with that of approximately RMB4,174.6 million as at 31 December 2022.
- As at 30 June 2023, the total shareholders' equity amounted to approximately RMB2,747.3 million, representing an increase of approximately 5.7% as compared with that of approximately RMB2,598.0 million as at 31 December 2022.
- For the six months ended 30 June 2023, the return on equity was approximately 5.8%.
- For the six months ended 30 June 2023, the return on total assets was approximately 4.0%.

The board (the “**Board**”) of Directors (the “**Directors**”) of Alliance International Education Leasing Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (the “**Reporting Period**”) with comparative figures for the corresponding period in 2022 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	RMB’000	<i>RMB’000</i>
		(Unaudited)	(Unaudited) (Restated)
Revenue	4	298,208	133,178
Cost of services		(126,991)	—
Gross profit		171,217	133,178
Other income, gains or losses	5	49,575	3,628
Selling and distribution expenses		(2,323)	—
Administrative expenses		(32,435)	(23,518)
Finance costs	6	(33,034)	(50,480)
Impairment losses reversed (recognised) on financial assets	7	41,579	(2,701)
Profit before income tax	8	194,579	60,107
Income tax expense	9	(40,783)	(14,117)
Profit for the period		153,796	45,990
Profit and total comprehensive (expenses) income for the period			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation		(4,436)	1,347
Total comprehensive income for the period		149,360	47,337

	Six months ended 30 June	
	2023	2022
<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
		(Restated)
Profit for the period attributable to:		
Owners of the Company	126,680	45,990
Non-controlling interests	27,116	—
	<u>153,796</u>	<u>45,990</u>
Total comprehensive income for the period		
Owners of the Company	122,244	47,337
Non-controlling interests	27,116	—
	<u>149,360</u>	<u>47,337</u>
Earnings per share	<i>11</i>	
(Expressed in RMB Yuan per share)		
Basic and diluted	<u>0.0749</u>	<u>0.0307</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2023

		As at 30 June 2023	As at 31 December 2022
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
Non-current assets			
Property and equipment	<i>12</i>	812,340	824,078
Right-of-use assets	<i>13</i>	452,105	460,780
Intangible assets		43,903	48,636
Finance lease receivables	<i>14</i>	625,959	916,068
Financial asset at fair value through other comprehensive income	<i>20</i>	180,275	—
Other receivables	<i>15</i>	496	471
Deferred tax assets		79,160	91,454
		<u>2,194,238</u>	<u>2,341,487</u>
Current assets			
Inventories		1,729	2,013
Finance lease receivables	<i>14</i>	816,117	1,226,508
Financial asset at fair value through profit or loss	<i>20</i>	39,000	83,000
Trade and other receivables	<i>15</i>	270,315	295,806
Bank balances	<i>16</i>	242,448	225,832
		<u>1,369,609</u>	<u>1,833,159</u>
Current liabilities			
Trade, bills and other payables	<i>17</i>	216,932	535,378
Deposits from finance lease customers		92,842	96,181
Lease liabilities	<i>13</i>	5,141	4,869
Contract liabilities		76,738	292,238
Income tax payables		24,131	17,026
Deferred income		3,159	15,352
Borrowings	<i>18</i>	220,462	308,475
		<u>639,405</u>	<u>1,269,519</u>
Net current assets		<u>730,204</u>	<u>563,640</u>
Total assets less current liabilities		<u><u>2,924,442</u></u>	<u><u>2,905,127</u></u>

		As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Capital and reserves			
Share capital	<i>19</i>	11	11
Reserves		<u>2,361,469</u>	<u>2,239,225</u>
Equity attributable to owners of the Company		2,361,480	2,239,236
Non-controlling interests		385,840	<u>358,724</u>
Total equity		<u>2,747,320</u>	<u>2,597,960</u>
Non-current liabilities			
Deposits from finance lease customers		66,229	75,046
Lease liabilities	<i>13</i>	33,189	33,000
Other payables	<i>17</i>	51,489	152,647
Deferred income		7,778	23,227
Borrowings	<i>18</i>	12,200	20,850
Deferred tax liabilities		<u>6,237</u>	<u>2,397</u>
		<u>177,122</u>	<u>307,167</u>
		<u>2,924,442</u>	<u>2,905,127</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 June 2023

	Attributable to owners of the Company						Subtotal	Non-controlling interests	Total
	Share capital	Share premium	Capital reserve	Surplus reserve	Translation reserve	Retained profits			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Note (i))	(Note (ii))	(Note (iii))					
At 1 January 2022 (audited)	10	1,204,120	(42,520)	17,715	(2,899)	97,048	1,273,474	—	1,273,474
Profit for the period	—	—	—	—	—	45,990	45,990	—	45,990
Other comprehensive income for the period	—	—	—	—	1,347	—	1,347	—	1,347
Profit and total comprehensive income for the period	—	—	—	—	1,347	45,990	47,337	—	47,337
At 30 June 2022 (unaudited)	<u>10</u>	<u>1,204,120</u>	<u>(42,520)</u>	<u>17,715</u>	<u>(1,552)</u>	<u>143,038</u>	<u>1,320,811</u>	<u>—</u>	<u>1,320,811</u>
At 1 January 2023 (audited)	11	1,803,611	(42,520)	26,201	2,985	448,948	2,239,236	358,724	2,597,960
Profit for the period	—	—	—	—	—	126,680	126,680	27,116	153,796
Other comprehensive expenses for the period	—	—	—	—	(4,436)	—	(4,436)	—	(4,436)
Profit and total comprehensive (expenses) income for the period	—	—	—	—	(4,436)	126,680	122,244	27,116	149,360
At 30 June 2023 (unaudited)	<u>11</u>	<u>1,803,611</u>	<u>(42,520)</u>	<u>26,201</u>	<u>(1,451)</u>	<u>575,628</u>	<u>2,361,480</u>	<u>385,840</u>	<u>2,747,320</u>

Notes:

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Net cash from operating activities	539,465	274,724
Investing activities		
Investment and interest income	7,382	3,821
Proceeds from disposal of financial asset at fair value through profit or loss	1,351,997	—
Purchases of financial asset at fair value through other comprehensive income	(173,063)	—
Purchases of financial asset at fair value through profit or loss	(1,307,997)	—
Withdrawal from restricted bank balances	100,000	100,000
Placement of restricted bank balances	—	(100,000)
Payment of consideration payable	(295,000)	—
Purchases of property and equipment	(5,022)	—
Net cash (used in) from investing activities	(321,703)	3,821
Financing activities		
Proceeds from borrowings	305,000	—
Repayments of borrowings	(404,460)	(331,461)
Repayments of lease liabilities	(355)	(678)
Interest paid for borrowings	(7,875)	(18,754)
Interest paid for lease liabilities	(62)	(24)
Net cash used in financing activities	(107,752)	(350,917)
Net increase (decrease) in cash and cash equivalents	110,010	(72,372)
Cash and cash equivalents at beginning of the period	125,832	141,821
Effects of foreign exchange rate changes	6,606	(254)
Cash and cash equivalents at end of the period, representing bank balances	242,448	69,195

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

For the six months ended 30 June 2023

1. GENERAL INFORMATION

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

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

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

Reclassification of prior periods’ financial statements as a result of acquisition of a subsidiary

In August 2022, the Group acquired 70% equity interest in Yantai Nanshan University* 煙台南山學院 (the “**Yantai Nanshan University**”), which engages in providing private higher education services.

Prior to the acquisition of the Yantai Nanshan University, the Group classified the items of income and expense by nature for the condensed consolidated statement of profit or loss and other comprehensive income while the Yantai Nanshan University classified the items of income and expense by function for the statement of profit or loss and other comprehensive income.

The directors of the Company confirm the presentation for condensed consolidated statement of profit or loss and other comprehensive income as a result of the acquisition of the Yantai Nanshan University, the staff costs and other operating expenses of the Group during the six months ended 30 June 2022 are reclassified as administrative expenses. Other income and net exchange losses during the six months ended 30 June 2022 are reclassified as other income, gains or losses.

The comparative information for the six months ended 30 June 2022 has been restated in the condensed consolidated statements of profit or loss and other comprehensive income.

2. BASIS OF PREPARATION

The condensed consolidated interim financial information of the Group for the six months ended 30 June 2023 (the “**Reporting Period**”) have been prepared in accordance with International Accounting Standard 34 (“**IAS**”) “Interim Financial Reporting”, issued by the International Accounting Standards Board (the “**IASB**”) and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies used in the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2022 except as described below.

Application of new amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new amendments to International Financial Reporting Standards ("IFRSs") issued by the IASB which are effective for the Group's financial year beginning 1 January 2023:

IFRS 17	Insurance Contracts
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to IAS 8	Definition of Accounting Estimates
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to IAS 12	International Tax Return — Pillar Two Model Rules

Except as described below, the application of the new amendments to IFRSs in the interim period 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 condensed consolidated financial statements.

Impact on application of Amendments to IAS 1 and IFRS Practice Statement 2 — Disclosure of Accounting Policies

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

These amendments had no impact on the interim condensed consolidated financial statements of the Group as they relate to disclosures of accounting policies in complete financial statements rather than interim financial statements. The amendments are expected to affect the accounting policy disclosures in the Group's annual consolidated financial statements for the year ending 31 March 2024.

Impact on application of Amendments to IAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented. The amendments had no impact on the interim condensed consolidated financial statements of the Group.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under IAS 12.

4. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for services rendered net of sales related taxes. An analysis of the Group's revenue for the period is as follows:

		For the six months ended 30 June	
		2023	2022
	<i>Note</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited)
Revenue from contracts with customers within the scope of IFRS 15			
Disaggregated by services lines			
Tuition fees	<i>a</i>	201,693	—
Boarding fees	<i>a</i>	17,557	—
		219,250	—
Revenue from other source			
Finance lease services		78,958	133,178
		298,208	133,178

Note:

- (a) During the six months ended 30 June 2023, tuition fees and boarding fees mainly represented income received from the provision of education and boarding services to the students, which was recognised over time, i.e. the academic year, of the services rendered.

Disaggregation of revenue from contracts with customers by timing of recognition

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Timing of revenue recognition		
Over time	<u>219,250</u>	<u>—</u>

Transaction price allocated to the remaining performance obligations for contracts with customers

The tuition fees, boarding fees and other education service fees contracts are with an original expected duration of one year or less. Accordingly, the Group has elected the practical expedient and has not disclosed the amount of transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the Reporting Period.

Information reported to the executive directors of the Company, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on types of services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

During the six months ended 30 June 2023, the Group commenced the business of private higher education upon the completion of the acquisition of Yantai Nanshan University, and it is considered a new operating and reportable segment by the CODM.

During the six months ended 30 June 2022, the CODM considered that there was only one reportable operating segment, being the finance leasing business of the Group. Since the Group mainly provided finance lease services in the PRC, the operating segment had been identified on the basis of internal management reports prepared in accordance with accounting policies conform with IFRSs and CODM regularly reviewed 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 was presented for the six months ended 30 June 2022.

Specifically, the Group’s reportable and operating segments under IFRS 8 are as follows:

1. Finance leasing — provision of sale-leaseback and direct finance leasing services; and
2. Private higher education services — provision of tuition services, student accommodation services and other education services.

The following table presents revenue and profit information regarding the Group's operating segments for the six months ended 30 June 2023.

For the six months ended 30 June 2023 (unaudited)

	Finance leasing RMB'000	Private higher education services RMB'000	Total RMB'000
REVENUE			
External sales	<u>78,958</u>	<u>219,250</u>	<u>298,208</u>
Segment profit	<u>92,545</u>	<u>82,712</u>	175,257
Unallocated other income, gains or losses			44,208
Unallocated administrative expenses			(7,891)
Unallocated finance costs			<u>(16,995)</u>
Profit before tax			<u><u>194,579</u></u>

Segment profit represents the profit earned by each segment without allocation of certain other income, gains or losses, central administration costs, directors' emoluments, depreciation of certain property and equipment and right-of-use assets and certain finance costs. This is the measure reported to the executive directors of the Company, being the CODM, for the purposes of resources allocation and performance assessment.

5. OTHER INCOME, GAINS OR LOSSES

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net exchange gain (loss)	25,608	(1,584)
Investment and interest income	15,539	3,821
Rental income	5,338	—
Government grants (<i>Note</i>)	522	1,220
Others	<u>2,568</u>	<u>171</u>
	<u><u>49,575</u></u>	<u><u>3,628</u></u>

Note: Government grants represent local governments' offer for the refund of value-added tax of approximately RMB522,000 (six months ended 30 June 2022: RMB1,220,000) to enterprises in the finance leasing industry. The government grants are one-off in nature with no specific conditions.

6. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest expense on:		
— Imputed interest on consideration payables	13,851	—
— Borrowings	10,672	22,045
— Imputed interest on deposits from finance lease customers	7,633	27,050
— Lease liabilities	878	24
— Bills payable	—	1,361
	<u> </u>	<u> </u>
Total	<u>33,034</u>	<u>50,480</u>

7. IMPAIRMENT LOSSES REVERSED (RECOGNISED) ON FINANCIAL ASSETS

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Impairment losses reversed (recognised) on		
— Finance lease receivables	42,347	(2,701)
— Other receivables	(768)	—
	<u> </u>	<u> </u>
	<u>41,579</u>	<u>(2,701)</u>

The basis of determining the inputs and assumptions and the estimation techniques used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

During the six months ended 30 June 2023, the Group provided a net amount of approximately RMB42.3 million impairment allowance, primarily derived from provision for impairment loss of finance lease receivables amounting to RMB40.1 million, due to the increase in credit risk for certain finance lease receivables, while being offset by a reversal of impairment loss of finance lease receivables amounting to RMB82.4 million, due to the improvement of financial conditions of and repayment of finance lease receivables by certain finance lease customers.

During six months ended 30 June 2022, the Group provided a net amount of approximately RMB2.7 million impairment allowance, primarily derived from provision for impairment loss of finance lease receivables amounting to RMB8.1 million, due to the increase in credit risk for certain finance lease receivables, while being offset by a reversal of impairment loss of finance lease receivables amounting to RMB5.4 million, due to the improvement of financial conditions of certain finance lease customers.

8. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' remuneration		
— Salaries and bonus	3,010	1,991
— Social welfare	67	197
Salaries, bonus, allowances, social welfare and other employee benefits	<u>85,508</u>	<u>4,501</u>
Total staff costs	<u>88,585</u>	<u>6,689</u>
Depreciation of property and equipment	18,813	279
Depreciation of right-of-use assets	8,675	763
Amortisation of intangible assets	4,733	175
Loss on written off of property and equipment	216	—
Lease payments under operating leases:		
— Short-term leases	<u>998</u>	<u>1,245</u>

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax		
— Current period	24,649	14,792
Deferred tax — Current period (<i>Note</i>)	<u>16,134</u>	<u>(675)</u>
	<u>40,783</u>	<u>14,117</u>

Note: During both periods, the deferred income tax was mainly recognised as deductible temporary differences arising from the impairment losses under expected credit loss (“ECL”) model and taxable temporary differences arising from PRC withholding tax.

10. DIVIDENDS

No dividend has been paid or proposed by the Company for the six months ended 30 June 2023 and 2022 nor has any dividend been proposed since the end of the Reporting Period.

11. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<u>Profit</u>		
Profit for the purpose of basic and diluted earnings per share	<u>126,680</u>	<u>45,990</u>

	For the six months ended 30 June	
	2023	2022
	'000	'000
<u>Number of shares</u>		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u>1,690,914</u>	<u>1,500,000</u>

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 June 2023 and 2022.

12. PROPERTY AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired assets with a cost of approximately RMB7,291,000 (six months ended 30 June 2022: nil).

Equipment with a carrying amount of approximately RMB216,000 was written off by the Group during the six months ended 30 June 2023, resulting in a net loss on written off of approximately RMB216,000 (six months ended 30 June 2022: nil).

13. LEASES

(i) Right-of-use assets

	30 June	31 December
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Land use rights	412,616	419,036
Buildings	36,489	38,656
Office	3,000	3,088
	<u>452,105</u>	<u>460,780</u>

(ii) **Lease liabilities**

As at 30 June 2023, the carrying amount of lease liabilities was approximately RMB38,330,000 (31 December 2022: RMB37,869,000).

During the six months ended 30 June 2023 and 2022, the Group did not extend any lease agreement that should be recognised as right-of-use assets and lease liabilities.

14. FINANCE LEASE RECEIVABLES

The minimum lease receivables are set out below:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Amounts receivable under finance leases		
Within 1 year	1,153,627	1,611,768
After 1 year but within 2 years	382,063	401,303
After 2 years but within 3 years	191,815	297,306
After 3 years but within 4 years	130,102	270,613
After 4 years but within 5 years	—	87,621
	<hr/>	<hr/>
Gross investment in leases	1,857,607	2,668,611
Less: unearned finance income	(199,817)	(266,810)
	<hr/>	<hr/>
Present value of minimum lease payment receivables	1,657,790	2,401,801
Less: allowance for impairment losses	(215,714)	(259,225)
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	1,442,076	2,142,576
	<hr/> <hr/>	<hr/> <hr/>
Analysed for reporting purposes as:		
Current assets	816,117	1,226,508
Non-current assets	625,959	916,068
	<hr/>	<hr/>
	1,442,076	2,142,576
	<hr/> <hr/>	<hr/> <hr/>

Notes:

- (i) The Group presumes that the credit risk on a finance lease receivable has increased significantly since initial recognition when contractual payments are more than 30 days past due. The Group has transferred the 12 months ECL of finance lease receivables into lifetime ECL not credit-impaired when contractual payments are past due more than 30 days and within 90 days.

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

15. TRADE AND OTHER RECEIVABLES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Trade receivables	1,122	549
Prepaid expenses	303	1,457
Expenses paid on behalf of customers	50,422	45,330
Deductible value-added tax	9,342	8,752
Short-term loan receivables	238,441	280,961
Interest receivables	10,598	2,441
Other receivables	<u>6,938</u>	<u>1,025</u>
Subtotal	317,136	340,515
Less: allowance for impairment losses	<u>(46,325)</u>	<u>(44,238)</u>
	<u>270,811</u>	<u>296,277</u>
Analysed for reporting purposes as:		
Current assets	270,315	295,806
Non-current assets	<u>496</u>	<u>471</u>
	<u>270,811</u>	<u>296,277</u>

An ageing analysis of the trade receivables as at 30 June 2023 and 31 December 2022, based on the transaction date and net of loss allowance, is as follows:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 30 days	<u>1,122</u>	<u>549</u>

16. BANK BALANCES

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Bank balances	242,448	225,832
Less: pledged bank balances	<u>—</u>	<u>(100,000)</u>
Cash and cash equivalents	<u>242,448</u>	<u>125,832</u>

Bank balances include demand deposits and short-term bank deposits for the purpose of meeting the Group's short term cash commitment, which carry floating interest rate based on daily bank deposit rates as at 30 June 2023 and 31 December 2022.

Pledged bank balances represented deposits pledged to banks for bills payables. Deposits amounting to RMB100,000,000 had been pledged to secure bills payables and were therefore classified as current assets as at 31 December 2022. The pledged bank balances carry fixed interest rate of 2.25% per annum as at 31 December 2022. During the six months ended 30 June 2023, the pledged bank deposits have been released.

17. TRADE, BILLS AND OTHER PAYABLES

Included in trade, bills and other payables is a trade payable balance of approximately RMB1,041,000 (31 December 2022: RMB4,239,000).

An ageing analysis of the trade payables as at 30 June 2023 and 31 December 2022, based on the invoice date.

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Within 1 year	<u>34</u>	<u>4,239</u>

18. BORROWINGS

During the six months ended 30 June 2023, the Group obtained new borrowings amounting to RMB305.0 million (six months ended 30 June 2022: nil). The loans carry interest at fixed market rates of 4.00% to 4.50% (31 December 2022: 4.50%) and are repayable instalments over a period of 2 years. The proceeds were used to finance the operation of the Group.

19. SHARE CAPITAL OF THE COMPANY

	Par value	Number of shares	USD	
Authorised				
1 January 2022, 30 June 2022, 31 December 2022, 1 January 2023 and 30 June 2023	USD0.000001	50,000,000,000	50,000	
	Par value	Number of shares	USD	RMB
Issued				
At 1 January 2022 and 30 June 2022	USD 0.000001	1,500,000,000	1,500	10,039
Placing and subscription of new shares (<i>Note</i>)	USD 0.000001	190,914,000	191	1,327
At 31 December 2022, 1 January 2023 and 30 June 2023	USD 0.000001	1,690,914,000	1,691	11,366

Note: On 30 November 2022, the Company entered into a private placing agreement and subscription agreements with the placing agent for the placing of an aggregate 47,160,000 new ordinary shares of the Company to six independent third parties at a placing price of HK\$3.52 per share and three subscribers for subscription of an aggregate 143,754,000 new ordinary shares of the Company at a subscription price of HK\$3.52 per share in order to further develop its finance leasing business.

The gross proceeds raised amounted to approximately RMB600,992,000 (before transaction costs of approximately RMB1,500,000) and resulted in the net increase in share capital and share premium of approximately RMB1,000 and RMB599,491,000 respectively.

The placing and subscription were completed on 14 December 2022. Details of the placing and subscription are set out in the Company's announcements dated 1 December 2022 and 14 December 2022 respectively.

All the new shares issued during the period rank pari passu with the existing shares in all respects.

20. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value measurements and valuation processes

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

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

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

The following table provides the fair value measurement hierarchy of the Group's financial assets as at 30 June 2023 and 31 December 2022:

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Finance asset at FVTOCI		
Unlisted investment funds	180,275	—
Finance asset at FVTPL		
Listed bond investment	39,000	83,000

There were no transfers into or out of Level 1 and 2 of fair value hierarchy during the period.

Financial Instruments	Fair value hierarchy	Fair value as at		Valuation technique and key inputs	Significant unobservable inputs	Range	Relationship of key inputs and significant unobservable inputs to fair value
		30 June 2023 RMB'000	31 December 2022 RMB'000				
Unlisted investment funds	Level 2	180,275	—	Net asset value provided by the fund administrative	N/A	N/A	N/A
Listed bond investment	Level 1	39,000	83,000	Quoted bid prices in an active market	N/A	N/A	N/A

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

21. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of the 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 Co., Ltd* (南山集團有限公司) ("Nanshan Group") and its subsidiaries	Note i
Longkou Nanshan (new) Investment Development Co., Ltd.* (龍口新南山投資發展有限公司) ("Longkou Nanshan") and its subsidiaries	Note ii

Notes:

- (i) One of the key management of Nanshan Group is Mr. Song Jianbo, whose wife is Ms. Sui Yongqing ("Ms. Sui"), the sole shareholder of Union Capital, the ultimate shareholder of the Company.
- (ii) Longkou Nanshan is wholly-owned by Mr. Song Zuowen ("Mr. Song") and Ms. Lv Shuling ("Ms. Lv"). Ms. Sui is the daughter-in-law of Mr. Song and Ms. Lv.

Transaction with related parties

During the six months ended 30 June 2023 and 2022, the Group entered into the following transactions with related parties that are not members of the Group:

	Notes	For the six months ended 30 June	
		2023 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)
Nanshan Group and its subsidiaries:			
— Finance lease income generated from		23,176	93,518
— Rental expense paid to	i	944	993
— Services received	ii	10,081	—
— Purchase of inventory	iii	119	—
— Purchase of property and equipment	iv	16	—
— Interest on lease liabilities	v	815	—
		<u> </u>	<u> </u>
Longkou Nanshan and its subsidiaries:			
— Services received	ii	4,698	—
— Purchase of inventory	iii	1,780	—
		<u> </u>	<u> </u>

Notes:

- (i) During the periods ended 30 June 2023 and 2022, the Group entered into one-year lease agreements with Nanshan Group and its subsidiaries, for leasing of properties as office premises.
- (ii) The services for the general operation received were charged based on the mutually agreed terms for the purpose of operating college.
- (iii) The other education services provided were charged based on the mutually agreed terms for the purpose of operating college.
- (iv) The purchases of inventory and property and equipment were made according to the mutually agreed terms.
- (v) The interest on lease liabilities was charged at rates 4.65% per annum.

The Group entered into lease agreements with a ten-year lease in respect of certain buildings from Nanshan Group due to the acquisition of the subsidiary during the year ended 31 December 2022. The amount of rent payable by the Group under the lease is RMB5,300,000 (tax inclusive) per annum. The rent is charged at terms mutually agreed by the parties. As at 30 June 2023, the carrying amount of such lease liabilities is approximately RMB35,552,000 (31 December 2022: RMB34,737,000). During the six months ended 30 June 2023, the Group did not make lease payment to the related companies.

Finance lease receivables from related parties

	30 June 2023 RMB'000 (Unaudited)	31 December 2022 RMB'000 (Audited)
Nanshan Group and its subsidiaries	<u>655,786</u>	<u>840,391</u>

Compensation to key management personnel

The remuneration of key management personnel of the Group during the six months ended 30 June 2023 and 2022 were as follows:

	For the six months ended	
	30 June 2023 RMB'000 (Unaudited)	30 June 2022 RMB'000 (Unaudited)
Basic salary and allowances	3,530	2,911
Employer's contribution to pension schemes	114	51
Other social welfare	14	154
Total	<u>3,658</u>	<u>3,116</u>

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

With the loosening COVID-19 restrictions, it is expected that the global economy will gradually recover. At the start of 2023, the PRC cross-border traffic has also fully resumed. The overall business environment, and the general economic operation has been undergoing a series of changes. The Group is in a favourable position to capture the overall growth of the domestic economy through its dual-track strategy, namely operating in both the higher education and finance leasing business segments, which are complementary to each other.

In August 2022, the Group completed the acquisition of 70% equity interests in Yantai Nanshan University* (煙台南山學院) (“**Yantai Nanshan University**”). In order to expand its finance leasing business into the shipping segment, in May 2023, the Group formed Union Shipping Fund I L.P. (友聯航運一期基金有限合夥), a partnership mainly focusing on the acquisition of shares and interests in special purpose vehicles that hold ships or maritime vessels.

Continuing the profitable trend from previous year, and benefiting from the completion of the acquisition of Yantai Nanshan University in 2022, the Group has since then consolidated the financial data of Yantai Nanshan University, the Group recorded profit of approximately RMB153.8 million for the six months ended 30 June 2023 (the “**Reporting Period**”).

Higher Education

The Group completed the transaction in relation to the acquisition of 70% equity interests in Yantai Nanshan University on 18 August 2022. The financial income and financial position of Yantai Nanshan University have been included in the consolidated financial statements of the Company since the same date according to the 1st set of the Structured Contracts (as defined in the circular of the Company dated 3 August 2022). For details, please refer to the circular of the Company dated 3 August 2022 and the announcement of the Company dated 18 August 2022.

Located in Longkou City, Shandong Province of the PRC (中國山東省龍口市), Yantai Nanshan University of the Group is a private institution of higher education that provides undergraduate and junior college diploma programmes approved by the Ministry of Education of the PRC. Yantai Nanshan University, as an application-oriented higher education institution, collaborates closely with enterprises in various industries to promote and adheres to the idea of “Integration of industry and education; Cooperation of school and enterprise (產學融合、校企合作)”, offers 49 undergraduate programmes and 40 junior college diploma programmes with a total of 30 faculties, and strives to improve its students’ practical training and career prospects. Yantai Nanshan University expects to offer more choices to college-aged population and graduates, and more service talents to enterprises.

The Group's higher education business contributed revenue and profit before tax of the Group of approximately RMB219.3 million and RMB82.7 million, respectively, during the Reporting Period.

Finance Leasing

Since 2022, the finance leasing industry has entered the key period of transformation and development. With the issuance of various policies, the regulation of finance leasing has become clearer, and with the clean-up of the finance leasing industry in China and consolidation of finance leasing companies in various provinces and municipalities, the "14th Five-Year Plan" will hopefully guide China's manufacturing industry to undergo a new wave of transformation and equipment upgrading, the path ahead of the future development for finance leasing companies which truly serves the economy has become more lucid.

Since the last quarter of 2022, China has gradually relaxed its COVID-19 controls, and cross-border traffic has been fully resumed since February 2023, which is expected to lead to more business activities.

The customers served by the Group are mostly in the healthcare industry and the aviation industry. During the Reporting Period, business environment in the PRC remained stable, therefore certain lessees, particularly those in the healthcare industry, have sufficient cash flow to make timely repayments, resulting in a net reversal of impairment losses on the Group's finance lease receivables during the Reporting Period.

Consistent with the practices in 2022, the Group's management has been proactively deploying various means to recover the Group's finance lease receivables, including but not limited to instituting legal proceedings, in order to protect its rights and entitlements under the relevant finance lease agreements.

The Group's finance leasing business contributed revenue and profit before tax of the Group of approximately RMB79.0 million and RMB92.5 million, respectively, during the Reporting Period.

FINANCIAL REVIEW

Revenue

The Group's revenue mainly derived from income generated from higher education and finance leasing. Revenue generated from the Group's higher education was mainly from (i) tuition fees; (ii) boarding fees; and (iii) other education service fees, and all of such revenue was generated in the PRC. The Group's finance leasing revenue from interest receivable and the services included sale-leaseback and direct finance leasing.

Revenue for the Reporting Period increased by approximately 123.9% from approximately RMB133.2 million for the six months ended 30 June 2022 to approximately RMB298.2 million for the Reporting Period.

Costs of services

The Group's costs of services amounted to approximately RMB127.0 million for the Reporting Period (six months ended 30 June 2022: nil), which were mainly derived from the operations of Yantai Nanshan University.

Gross profit and gross profit margin

The Group recorded a gross profit of approximately RMB171.2 million for the Reporting Period with approximately 57.4% of gross profit margin, as compared to the gross profit of approximately RMB133.2 million for the six months ended 30 June 2022, representing an increase of approximately 28.6%.

Other income, gains or losses

Other income, gains or losses of the Group, which were primarily derived from (i) government grants; (ii) exchange gain/loss, (iii) rental income and (iv) investment and interest income, increased from approximately RMB3.6 million for the six months ended 30 June 2022 to approximately RMB49.6 million for the Reporting Period.

Administrative expenses

Administrative expenses of the Group primarily included staff costs, rental expenses, legal and professional fees, auditor's remuneration and daily office expenses. For the Reporting Period, the administrative expenses amounted to approximately RMB32.4 million (six months ended 30 June 2022: approximately RMB23.5 million), representing approximately 10.9% of the total revenue of the Group (six months ended 30 June 2022: approximately 17.7%).

Finance costs

Finance costs of the Group were primarily derived from borrowings, lease liabilities, imputed interest on deposits from finance lease customers and consideration payable. The finance costs decreased by approximately 34.6% from approximately RMB50.5 million for the six months ended 30 June 2022 to approximately RMB33.0 million for the Reporting Period.

In particular, balance of total borrowings decreased from RMB467.7 million as at 30 June 2022 to RMB232.7 million as at 30 June 2023. This had led to the decrease in finance costs during the Reporting Period as mentioned above.

Profit for the Reporting Period

Profit for the Reporting Period increased from approximately RMB46.0 million for the six months ended 30 June 2022 to approximately RMB153.8 million for the Reporting Period, representing a significant increase by approximately 2.3 times. The main reason of the increase was that while the net profit of the Group's finance leasing business remained stable, upon the completion of acquisition of Yantai Nanshan University, the net profit of Yantai Nanshan University was consolidated into the Group's profit.

Dividend

The Board does not recommend payment of any interim dividend for the Reporting Period (for the six months ended 30 June 2022: nil).

Liquidity, financial resources and capital resources

As at 30 June 2023, the cash and cash equivalents of the Group amounted to approximately RMB242.4 million (31 December 2022: approximately RMB125.8 million). Working capital (current assets less current liabilities) and the total equity of the Group as at 30 June 2023 amounted to approximately RMB730.2 million (31 December 2022: approximately RMB563.6 million). As at 30 June 2023, the balance of borrowings of the Group amounted to approximately RMB232.7 million (31 December 2022: RMB329.3 million). As at 30 June 2023, the Group's borrowings due within one year amounted to approximately RMB220.5 million (31 December 2022: approximately RMB308.5 million) and the Group's borrowings due after one year amounted to approximately RMB12.2 million (31 December 2022: approximately RMB20.9 million). As at 30 June 2023, the gearing ratio of the Group (dividing the total indebtedness by total equity and indebtedness as at the end of the period) was approximately 7.8% (31 December 2022: approximately 11.3%). Such decrease was mainly due to the decrease in the borrowings as compared with the scale of the Group's business.

Finance lease receivables

Finance lease receivables of the Group consisted of (i) gross amount of finance lease receivables; (ii) unearned finance income; and (iii) allowances for impairment losses. As at 30 June 2023, the respective carrying amounts of each of the above amounted to (i) approximately RMB1,857.6 million; (ii) approximately RMB199.8 million; and (iii) approximately RMB215.7 million, respectively. The finance lease receivables of the Group decreased by approximately 32.7% from approximately RMB2,142.6 million as at 31 December 2022 to approximately RMB1,442.1 million as at 30 June 2023.

Background information of the lessee which was relevant to the impairment recorded during the Reporting Period

Eight customers (six of which were in the healthcare industry and two of which were in the public infrastructure industry) were unable to repay the relevant rental fees for the Reporting Period (31 December 2022: eight of which were in the healthcare industry and one of which was in the aviation industry). Accordingly, the Group made provision for impairment under IFRS 9 — Financial instruments to reflect the outstanding sum during the Reporting Period.

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

Consistent with practices in previous financial years, in the Reporting Period, the Group has assessed the general ageing of finance lease receivables and took prudent measures to recover the outstanding rental fee. Such measures included but not limited to demanding repayments by telephone calls and physical visits, as well as instituting legal proceedings, etc.

With the improving business environment in the PRC, the lessees, particularly those in the healthcare industry, are facilitated to make timely repayments, which led to a net reversal in impairment losses on finance lease receivables for the Reporting Period.

The Board is of the view that the net provision of impairment losses for the Reporting Period is fair and reasonable because (a) it is in line with the relevant accounting policies under IFRS; and (b) it is in conformity with the market situation and reflecting the Company's situation.

The methods and basis used in determining the amount of the impairment and the Company's measures of recovering the impaired finance lease receivables

Consistent with the practices in 2022, there has been no change to the methods and basis used in determining the amount of the impairment and the Group considers that the measures of recovering the impaired finance lease receivables remain effective.

Employees and remuneration policy

As at 30 June 2023, the Group employed 1,832 full-time employees (31 December 2022: the Group employed 1,692 full-time employees) for its principal activities. Employees' benefits expenses (including the Directors' emoluments) amounted to approximately RMB88.6 million for the Reporting Period (for the six months ended 30 June 2022: approximately RMB6.7 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 individual employees and prevailing market rates. Other type of benefits, such as medical and retirement benefits, are also provided. In addition, share options may be granted to eligible employees of the Group in accordance with the terms of the share option scheme adopted by the Company. Please refer to the section headed “Share Option Scheme” below for further details.

RISK MANAGEMENT

As a company operating in the higher education business and in the finance leasing business serving different industries, the Group assumes various risks in its business operations, including credit, liquidity, marketing, compliance, legal, operational and reputational risks, among which the main risks faced by the higher education business include human resources, enrollment and market risks; while its finance leasing business is primarily exposed to credit risk.

To properly manage these risks faced by its higher education business, Yantai Nanshan University (as defined as the “**College**” in this paragraph) has established the following risk management structures and measures:

- the board of the College is generally responsible for making strategic decisions about the budget, investments, acquisitions and future development of the College. It is also responsible for reviewing and approving any significant business decisions that involve material risks, such as the expansion of the College into new areas, the increase of tuition fees and boarding fees, the construction of the college and the decision to establish significant business partnerships with third parties to develop new educational programmes;
- the principal is the person who makes decisions for the College. Under the instruction of the board of the College, the principal, assisted by and together with the vice principals and the head of the different departments, are responsible for the continuous risk management of the College. The principal shall make decisions on remedial measures for serious incidents or behaviour that violates the College’s internal control policies reported to it. The materials in relation to such incidents shall be filed for record, which include incident reports, records of detection and inspection, inspection report, inspection advice, inspection decisions and their materials. The College will also learn from the experience of the incidents to find its deficiencies and refer to such materials for guidance of its future work; and
- the College maintains insurance coverage which the College believes that is in line with customary practice in the education industry of the PRC, including the public liability insurance.

With respect to the credit risk faced by its finance leasing business, 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 by 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 (“ECL”) model based on the relevant requirements of International Financial Reporting Standards and its internal provision procedures and guidelines upon consideration of factors such as the nature and characteristics of its industry-specific customers, credit record, economic conditions and trends, history of write-offs, payment delinquencies, the value of the assets underlying the leases and the availability of collateral or guarantees. The Group will regularly assess the ECL model in accordance to actual loss of financial assets and adjust when necessary.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any material contingent liabilities (31 December 2022: Nil).

SHARE OPTION SCHEME

The Company adopted a share option scheme (the “**Share Option Scheme**”) on 20 February 2019 which has become effective on 15 March 2019. A summary of the principal terms of the Share Option Scheme was set out in Appendix V to the prospectus of the Company dated 28 February 2019.

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

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

On and subject to the terms of the Share Option Scheme and the requirements of the Listing Rules (in particular as to grant of Share Option to Directors, chief executives and substantial shareholders of the Company or their respective associates), the Board shall be entitled at any time within 10 years after the date of adoption of the Share Option Scheme to make an offer for the grant of a Share Option to any participant as the Board may determine. The number of Shares which may be issued pursuant to the exercise of the Share Option to be granted under the Share Option Scheme is 150,000,000 in total.

There was no Share Option outstanding under the Share Option Scheme nor was any Share Option granted, agreed to be granted, exercised, cancelled or lapsed under the Share Option Scheme for the six months ended 30 June 2023.

USE OF PROCEEDS FROM ISSUE OF EQUITY SECURITIES

References are made to the announcements of the Company dated 30 November 2022 and 14 December 2022 (the “**Placing Announcements**”), respectively. Unless otherwise defined herein, capitalised terms in this section shall have the same meanings as those defined in the Placing Announcements.

On 14 December 2022, the Company completed the placing of new shares of the Company and the subscription of new shares of the Company. An aggregate of 47,160,000 Placing Shares have been successfully placed at the Placing Price of HK\$3.52 per Placing Share to not less than six Places pursuant to the terms and conditions of the Placing Agreement. An aggregate of 143,754,000 Subscription Shares have been allotted and issued to the Subscribers at the Subscription Price of HK\$3.52 per Subscription Share pursuant to the terms and conditions of the each of the Subscription Agreements. The Placing Price is the same as the Subscription Price being HK\$3.52 per Placing Share or Subscription Share and representing: (i) a discount of approximately 19.82% to the closing price of HK\$4.39 per Share as quoted on the Stock Exchange on the date of the Placing Agreement and the Subscription Agreements; and (ii) a discount of approximately 16.19% to the average closing prices of HK\$4.20 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Placing Agreement and the Subscription Agreements. The net proceeds from the Placing and the Subscription would be used on the Group’s finance leasing business. Net proceeds from the Placing and Subscription (net of commissions payable to the Placing Agent and other costs, expenses and expenses arising from the Placing and Subscription) amounted to HK\$669.6 million, of which, approximately HK\$512.0 million have been utilised as at 30 June 2023.

EVENTS AFTER THE REPORTING PERIOD

Formation of Union Shipping Fund I L.P. (友聯航運一期基金有限合夥) (the “Partnership”)

On 2 May 2023, Union Fund I GP Limited (an indirect wholly-owned subsidiary of the Company) (“**Union Fund I GP**”) and Xiehai Bulk (Singapore) Pte. Ltd. (“**Xiehai Bulk**”) entered into the initial exempted limited partnership agreement (“**Initial Limited Partnership Agreement**”) relating to the Partnership, pursuant to which Union Fund I GP (as general partner) and Xiehai Bulk (as initial limited partner) agreed to form the Partnership.

On 10 July 2023 (after trading hours), Union Fund I GP and Xiehai Bulk entered into the amended and restated limited partnership agreement (“**Amended and Restated Limited Partnership Agreement**”) which replaces and substitutes the Initial Limited Partnership Agreement; and Union Shipping Leasing Limited (a wholly-owned subsidiary of the Company) executed a deed of adherence to the Amended and Restated Limited Partnership Agreement, pursuant to which it is admitted as an additional limited partner to the Partnership and a party to the Amended and Restated Limited Partnership Agreement.

For details, please refer to the Company’s announcement dated 10 July 2023.

Revision of annual caps of continuing connected transactions — framework procurement agreements for 2023 to 2025

References are made to the announcement of the Company dated 11 August 2023 (the “**CCT Announcement**”). Unless otherwise defined herein, capitalised terms in this section shall have the same meanings as those defined in the CCT Announcement.

As the actual demand for the Goods and Services under the Framework Procurement Agreements is expected to exceed the original expectations which will result in a corresponding increase in the total amount of expected procurement payable by Yantai Nanshan University to the Connected Transaction Counterparties under such agreements, the Board expected that the existing annual caps may not be sufficient and proposed the annual caps be revised and increased through the entering into of the Supplemental Agreements on 11 August 2023. The Company will convene an EGM to consider and, if appropriate, approve the resolution to be proposed and in relation to the Supplemental Agreements, including the Revised Annual Caps and the transactions contemplated thereunder.

Subscription of new shares under general mandate

References are made to the announcements of the Company dated 22 May 2023, 14 July 2023 and 14 August 2023 (the “**Subscription Announcements**”), respectively. Unless otherwise defined herein, capitalised terms in this section shall have the same meanings as those defined in the Subscription Announcements.

On 22 May 2023, the Company entered into separate Subscription Agreements with each of the Subscribers. The Subscribers agreed to subscribe for an aggregate of 109,080,000 Subscription Shares at the Subscription Price of HK\$4.65 per Subscription Share. On 14 July 2023, the Company and each of the Subscribers agreed in writing to extend the Subscription Long Stop Date to 14 August 2023 or such later date as may be agreed between the Company and the Subscriber in writing. On 14 August 2023, the Company and each of the Subscribers agreed to further extend the Subscription Long Stop Date to 14 September 2023 or such later date as may be agreed between the Company and the Subscriber in writing.

OUTLOOK AND PLANS

Looking forward to the future, the Board estimates that the global and the PRC economy will gradually improve. The Company’s higher education and finance leasing businesses are well-positioned to capture the overall growth in the domestic economy. Please refer to the section headed “Business Overview” in this announcement for further details.

Yantai Nanshan University has a long-term competitive advantage of “Integration of industry and education; Cooperation of school and enterprise (產學融合、校企合作)” and belongs to an industry encouraged by the PRC government policy. In addition, there is a strong demand for the higher education industry, and the relevant business is expected to maintain a stable development. The Company will deepen its existing partnership, continue to organise and design more advanced applied disciplines, as well as develop cooperations between upstream, downstream and other new enterprises.

Furthermore, with the gradual relaxation of the COVID-19 controls, the further improvement of the business environment, and the upgrading equipment brought by the continuous digitalisation and intelligence in the manufacturing industry, all of them continue to bring opportunities to the finance leasing industry, and industry supervision has provided a more favourable business environment for the overall health and sustainable development of the industry. The Group’s finance lease business will adapt to market changes, seize opportunities in the market and its business by adhering to the principle of “quality over quantity”, and make steady progress in its expansion.

The Group will continue to explore domestic or overseas expansion of its existing businesses and locate suitable acquisition targets (including overseas vocational education and higher education), particularly those businesses or projects that offer excellent potential, provide stable cash flow or natural hedges of financial liquidity or other advantages or synergies, to enrich the Group's existing higher education and finance lease business.

The Group will also continue to pay close attention to the market changes in the 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. The Group is committed to improving and enhancing the level of asset management, diversifying customer and project categories, improving the quality of its cashflows, reducing overall asset risk, and developing its business following the concept of "quality over quantity", making steady progress and actively seeking opportunities amid changes.

In general, the Group will continue to focus on its internal control and risk management based on the principles of risk prevention and asset monitoring reinforcement, 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 Listing Rules and applicable laws and regulations, strengthening its internal control, enhancing asset management capability, further forging a professional and high-quality talent team to seize development opportunities and actively explore new customers (including expanding to new industries outside of the existing customer base of the Group). Meanwhile, the Group will also endeavour to maintain the long-term 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 higher education and finance leasing businesses.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

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

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

During the Reporting Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established by the Board in accordance with the requirements of the Listing Rules for the purposes of reviewing and providing supervision over the Group’s financial reporting process and internal controls. The Audit Committee comprises three independent non-executive Directors. The members of the Audit Committee are Mr. Liu Xuewei, Mr. Liu Changxiang and Mr. Jiao Jian. Mr. Liu Xuewei has been appointed as the chairman of the Audit Committee, and has the appropriate professional qualifications required under the Listing Rules. The Audit Committee has reviewed the Group’s unaudited condensed consolidated financial statements for the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a securities dealing code (the “**Securities Dealing Code**”) regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to 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 to ascertain whether they have complied with or whether there has been any non-compliance with the required standard set out in the Securities Dealing Code and all the Directors confirmed that they have complied with the Securities Dealing Code throughout the period from the beginning of the Reporting Period up to the date of this announcement.

PUBLICATION OF INFORMATION

This announcement is published on the websites of the Company (<http://www.aiel-holdings.com/>) and the Stock Exchange (www.hkexnews.hk), respectively. The interim report of the Company for the Reporting Period will be despatched to shareholders of the Company and available on the above websites in due course.

By order of the Board
Alliance International Education Leasing Holdings Limited
Song Jianbo
Chairman

Hong Kong, 23 August 2023

As at the date of this announcement, the Board comprises Mr. Li Luqiang, Mr. Liu Zhenjiang, Mr. Luo Zhenming, Mr. Qiao Renjie and Mr. Yuen Kin Shan as executive Directors; Mr. Song Jianbo and Mr. Jiao Jianbin as non-executive Directors; and Mr. Liu Changxiang, Mr. Liu Xuewei, Mr. Jiao Jian, Mr. Shek Lai Him Abraham and Ms. Xing Li as independent non-executive Directors.

* *For identification purposes only*