中關村科技租賃股份有限公司

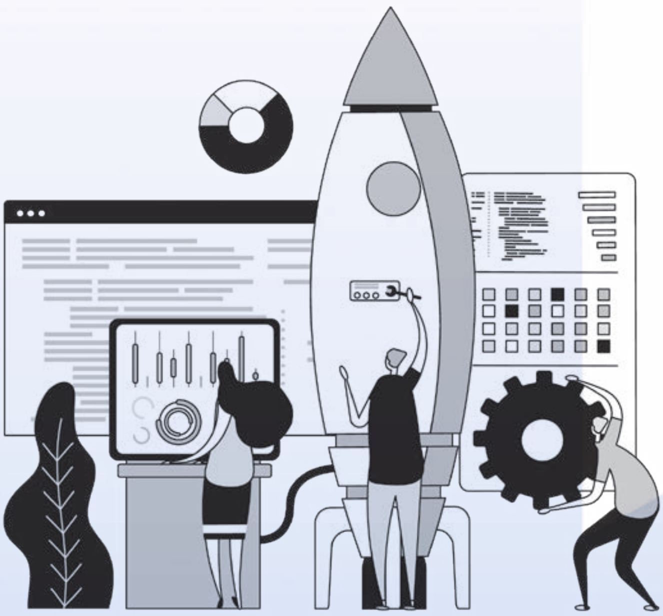
ZHONGGUANCUN SCIENCE-TECH LEASING CO., LTD.

(a joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 1601

2020 ANNUAL REPORT

Contents



This annual report was prepared in both Chinese and English versions, where there is a discrepancy between the Chinese and English version, the English version shall prevail.

Corporate Profile

Zhongguancun Science-Tech Leasing Co., Ltd. is a pioneer in serving technology and new economy companies in China, which is committed to providing efficient finance lease solutions and investment leasing integrated financial service solutions to satisfy technology and new economy companies' needs for financial services at different stages of their growth. We are deeply engaged in big data, eco-solutions, life sciences & healthcare, intelligent manufacturing, internet-based products & services and other strategic emerging industries and provide customized, comprehensive and characteristic finance lease products, solutions and value-added services for customers, and continue to enable customers to grow and achieve win-win development.

Founded in 2012, we have taken root in the essence of finance lease, insisted on customer-oriented, constantly explored the innovation of finance lease products and services, and took the lead in launching the business model of "science and technology leasing". Based on traditional direct lease and sale-and-leaseback, we have developed a series of characteristic products such as project lease, sales lease, service lease, merger and acquisition lease, etc., and have take full advantage of the science and technology leasing for the medium and long-term financing, new technology product promotion, business model optimization, and capital operation, to meet the personalized financing needs of technology and new economy companies. We deeply tap the value of "lease +" to meet the diversified financial services needs of technology and new economy companies at different stages of their growth, through the modes of "lease + stock option", "lease + investment".

Focusing on customers' needs, we provide characteristic value-added advisory services in parallel with leasing services, including policy advisory, management and business consulting, which helps customers improve their management level and obtain policy subsidies, and leasing business school, which builds a platform for customer training, communication and cooperation to achieve efficient and accurate resource connection and stimulate the endogenous driving force for the growth of technology and new economy companies. At the same time, we pay attention to the growth of technology and new economy companies, take the lead in building a two-dimensional rating model of "asset credit + subject growth", focus on big data, eco-solutions, life sciences & healthcare, intelligent manufacturing, and internet-based products & services, and support a large number of technology and new economy companies that are not accepted by traditional financial institutions. As of December 31, 2020, the Company had served more than 1,100 lessees, more than 95% of which were technology and new economy companies, and had launched more than 1,800 finance lease projects with an aggregate principal amount of approximately RMB23 billion. The H Shares of the Company were successfully listed on the Main Board of the Stock Exchange on January 21, 2020, which enabled the Company to access the international capital market and created a platform for its rapid development.

Corporate Profile

We have been widely and well recognized in China's finance lease industry. In 2017, we were recognized as the "Fastest Growing Finance Lease Company of the Year (年度最具成長性租賃公司)" by Financial News (《金融時報》), the official print media for China's finance industry. In 2015 and 2016, the Leasing Business Committee of China Association of Enterprises with Foreign Investment (CAEFI) (中國外商投資企業協會租賃業委員會) named us the "Finance lease Company of the Year (年度租賃公司)." CAEFI is the leading industry association in China's finance lease industry. In addition, our general manager Mr. He Rongfeng was named the "Person of the Year for Finance Leasing (融資租賃年度人物)" by the Leasing Business Committee of CAEFI in 2017. In 2019, the Company was recognized as the 2019 China financial leasing list · Company of the Year (2019中國融資租賃榜•年度公司) by the Leasing Business Committee of CAEFI. In 2020, we were recognized with the "Excellent Finance lease Company Award (優秀租賃企業獎)" by China Financial Leasing Forum · West Lake (中國融資租賃(西湖)論壇).

Never forget why we started, we will continue to focus and deeply cultivate, focus on serving technology and new economy companies, deepen the ecological layout of "lease +", and serve science and technology innovation with intelligent innovation; keeping our mission firmly in mind, we will always uphold the responsibility of state-owned enterprises, promote the integration of science and technology and finance, achieve the dream of science and technology entrepreneurs, drive high-quality development with science and technology and finance innovation, and enable technology and new economy companies to succeed.

Definitions

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings.

"ABS"	assets-backed securities
"Articles" or "Articles of Association"	the articles of association of the Company (as amended from time to time)
"associate"	has the meaning ascribed to it in the Listing Rules
"Audit Committee"	the audit committee of the Company
"Board"	the board of Directors
"Board Committees"	collectively, Audit Committee, Nomination Committee, Remuneration Committee and Risk Control Committee
"Board of Supervisors"	the board of supervisors of the Company
"CG Code"	the "Corporate Governance Code" as contained in Appendix 14 to the Listing Rules
"Chairman"	the chairman of the Board
"Chaoyang SCOMC"	Beijing Chaoyang State-owned Capital Operation and Management Center (北京市朝陽區國有資本經營管理中心), a state-owned enterprise established under the laws of the PRC on May 27, 2009 and also a substantial shareholder of the Company
"China" or "PRC"	the People's Republic of China, which for the purpose of this annual report and for geographical reference only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Company", "Group" or "we"	Zhongguancun Science-Tech Leasing Co., Ltd. (中關村科技租賃股份有限公司), a joint stock company incorporated under the laws of the PRC with limited liability, the H shares of which are listed on the Stock Exchange with stock code of 1601
"Controlling Shareholder(s)"	has the meaning ascribed thereto under the Listing Rules and unless the context requires otherwise, refers to ZGC Investment Center, ZGC Group and ZGC Finance

Definitions

"Director(s)"	the director(s) of the Company
"Domestic Shares"	the domestic share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as fully paid in RMB
"H Share(s)"	the overseas listed foreign share(s) with a nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for and traded in HK dollars and listed on the Stock Exchange
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing"	listing of the H Shares on the Main Board of the Stock Exchange
"Listing Date"	January 21, 2020, on which the H Shares were listed and from which dealings therein were permitted to take place on the Stock Exchange
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange (as amended from time to time)
"Model Code"	the "Model Code for Securities Transactions by Directors of Listed Issuers" set out in Appendix 10 to the Listing Rules
"Nanshan Capital"	Nanshan Group Capital Investment Co., Ltd. (南山集團資本投資有限公司), a company incorporated under the laws of the PRC with limited liability on November 18, 2011 and also a substantial shareholder of the Company
"Nomination Committee"	the nomination committee of the Company
"Remuneration Committee"	the remuneration committee of the Company
"Risk Control Committee"	the risk control committee of the Company
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time

"Share(s)"	collectively, the Domestic Share(s) and the H Share(s)
"Shareholder(s)"	holder(s) of Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supervisor(s)"	the supervisor(s) of the Company
"Wangjing Development"	Beijing Chaoyang District Wangjing Xinxing Industry Zone Comprehensive Development Company (北京望京新興產業區綜合開發有限公司), a company incorporated under the laws of the PRC with limited liability on July 11, 1994, which is wholly owned by Chaoyang SCOMC and also a substantial shareholder of the Company
"ZGC Finance"	Beijing Zhongguancun Finance Group Co., Ltd. (北京中關村科技創業金融服務集團有限公司), a company incorporated under the laws of the PRC with limited liability on February 24, 2009 and also a Controlling Shareholder
"ZGC Group"	Zhongguancun Development Group Co., Ltd. (中關村發展集團股份有限公司), a company incorporated under the laws of the PRC with limited liability on March 31, 2010 and also a Controlling Shareholder
"ZGC Investment Center"	Beijing Zhongguancun Development & Investment Center (北京中關村發展投資中心), a company incorporated under the laws of the PRC with limited liability on November 27, 2013 and also a Controlling Shareholder
"%"	per cent

Company Information

BOARD OF DIRECTORS

Non-executive Directors

Mr. DUAN Hongwei *(Chariman)*
Mr. LOU Yixiang
Mr. ZHANG Shuqing

Executive Directors

Mr. HE Rongfeng *(General Manager)*
Mr. HUANG Wen

Independent Non-executive Directors

Mr. CHENG Dongyue
Mr. WU Tak Lung
Ms. LIN Zhen

BOARD OF SUPERVISORS

Mr. ZHANG Jian *(Chariman)*
Mr. TIAN Anping
Mr. FANG Fang
Mr. TONG Chao
Ms. ZHOU Di
Ms. HAN Nana

COMPANY SECRETARY

Mr. GAO Wei *(FCIS, FCS (PE))*

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Mr. HE Rongfeng
Mr. HUANG Wen

COMPLIANCE ADVISOR

Guotai Junan Capital Limited
27/F., Low Block, Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

REGISTERED OFFICE

1610, 16/F
Building 101 (2-16/F)
No. 21 Rongda Road
Chaoyang District, Beijing
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN CHINA

Floor 5 & 6, Suite 7, Courtyard 2
No. 1 West Third Ring North Road
Haidian District, Beijing
PRC

AUDIT COMMITTEE

Mr. WU Tak Lung *(Chairman)*
Mr. CHENG Dongyue
Ms. LIN Zhen
Mr. LOU Yixiang

REMUNERATION COMMITTEE

Mr. CHENG Dongyue *(Chairman)*
Mr. WU Tak Lung
Ms. LIN Zhen
Mr. DUAN Hongwei
Mr. HE Rongfeng

NOMINATION COMMITTEE

Mr. DUAN Hongwei *(Chairman)*
Mr. CHENG Dongyue
Mr. WU Tak Lung
Ms. LIN Zhen
Mr. HE Rongfeng

Company Information

RISK CONTROL COMMITTEE

Ms. Zhen Lin *(Chairwoman)*
Mr. Dongyue Cheng
Mr. Wu Tak Lung
Mr. Shuqing Zhang
Mr. Wen Huang

AUDITOR

KPMG
8th Floor, Prince's Building
10 Chater Road, Central
Hong Kong

LEGAL ADVISOR

As to Hong Kong Law
Patrick Mak & Tse Solicitors
Flat 901-905, 9/F, Wing On Centre
No. 111 Connaught Road Central, Central
Hong Kong

As to PRC Law
Beijing Shengda Law Firm
17/F, Block B, Wantong Financial Center
No. 2 Fuwai Street
Xicheng District, Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKS

Bank of Jiangsu
1st Floor, Zhongke Resources Building
No. 6 Zhongguancun South 3rd Street
Haidian District, Beijing
PRC

Bank of Beijing
1/F, Shuohuang Development Building
No. 6 Caihefang Road
Haidian District, Beijing
PRC

Bank of Communications
No. 6 Xinkexiangyuan,
Academy of Sciences South Road
Haidian District, Beijing
PRC

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East, Wanchai
Hong Kong

STOCK CODE

1601

WEBSITE

www.zgclease.com

Key Financials

- For the year ended December 31, 2020, the revenue amounted to approximately RMB587.6 million, representing an increase of approximately 14.0% as compared with that of approximately RMB515.3 million for the year ended December 31, 2019.

- For the year ended December 31, 2020, the profit before taxation amounted to approximately RMB215.5 million, representing an increase of approximately 16.6% as compared with that of approximately RMB184.9 million for the year ended December 31, 2019.

- For the year ended December 31, 2020, the profit for the year amounted to approximately RMB161.5 million, representing an increase of approximately 16.8% as compared with that of approximately RMB138.3 million for the year ended December 31, 2019.

- As of December 31, 2020, the total assets amounted to approximately RMB8,165.1 million, representing an increase of approximately 16.8% as compared with that of approximately RMB6,989.0 million as of December 31, 2019.

- As of December 31, 2020, the total shareholders' equity amounted to approximately RMB1,915.8 million, representing an increase of approximately 37.6% as compared with that of approximately RMB1,392.3 million as of December 31, 2019.

- For the year ended December 31, 2020, the return on average equity was 9.8%.

- For the year ended December 31, 2020, the return on average assets was 2.1%.

- The Board recommends the payment of a final dividend of RMB0.0435 per share (tax inclusive) for the year ended December 31, 2020.

Chairman's Statement

Dear Shareholders,

We must not let our vision be blocked by floating clouds. Instead, we must strive ahead against mounting difficulties and dangers. The spread of COVID-19, the world economy mired in deep recession of the world economy and the increase of trade frictions between China and the United States made 2020 the most uncertain year in a decade. In this uncertain year, China was the most certain factor in the world. Thanks to its largest population, most promising consumer market, most well-established industrial system and rising aggregate national strength, China has effectively resisted the impact of the epidemic on its domestic economy and became the only major economy to achieve positive growth as it ushered in "the new normal" and went through the transformation towards "Double Circulation" with "Internal Circulation" as the priority.

It's the best time to set sail. We are catching the tide and forging ahead. The booming development of strategic emerging industries has accelerated the birth of numerous small and medium-sized science and technology enterprises, especially in the first and second tier cities where there are strong industrial foundations and abundant science and education resources. The continuous market expansion brought opportunities for the Company to implement expansion strategies. The promulgation of *the Interim Measures for the Supervision and Administration of Financial Leasing Companies (《融資租賃公司監督管理暫行辦法》)* and other policies, as well as the increase of industrial supervision, help standardize the industry order, speed up the rooting out of non-performing enterprises, and provide a stable policy environment for companies to grow and maintain their competitive advantage. In 2020, with the unremitting efforts of all staff members, the Group has gained a good development momentum, with the growth rate of operating revenue and total profit reaching 14% and 17%, respectively, ranking high among industry players.

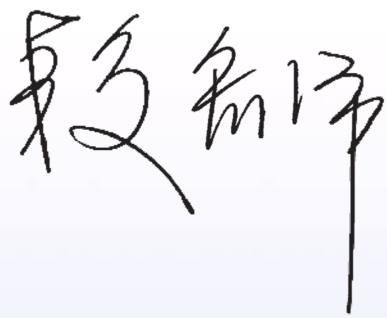
There are more than one way to run a country. Management of a nation should keep up with the time instead of rigidly following predecessors. After being listed, the Company adopted the capital market principles and philosophies, actively reshapes the value of the Company, and gradually transforms from endogenous growth to denotative growth. First, we focus on "strategic upgrading". We explore new ways to enhance the Company's value, investor confidence, and the Company's brand image as the "first stock of Zhongguancun science and technology innovation service". Second, we focus on small and medium-sized technology-based enterprises, speed up the expansion of industrial scale, actively explore business in Yangtze River Delta, the Greater Bay Area, Chengdu and Chongqing and other regions, and plan to complete the business portfolio by establishing or merging financial leasing subsidiaries. Third, we strengthen the " customer-oriented " front, middle and back office service management system, and design comprehensive solutions with product service, risk prevention and control, asset management and channel management and other dimensions to improve customer experience. At present, the Company has accumulated more than 1,100 customers, gained a high-quality customer base and a large number of data assets from technology-based small and medium enterprises. Fourth, we actively tap into customer value and expand "lease +" related industries. Our fund business started smoothly. The investments for several projects have completed with the amount reaching more than RMB50 million, and the performance of invested enterprises is better than industry average. Fifth, in accordance with the regulatory requirements in China and abroad, we established a scientific, efficient and professional compliance control system that address multiple aspects including organizational mechanism, system establishment and team building.

Chairman's Statement

The river is clear and transparent, because there is inflow of water from the source. With eight years of accumulation in cultural and development and practice in service innovation, the Company has formed the corporate values of "be professional, be innovative, be healthy and have aspirations", which integrates national strategy with enterprise mission and personal ideals and values. At the same time, the innovation incentive mechanism and the employee stock ownership plan and stock appreciation right implemented in 2020 effectively mobilized the enthusiasm and creativity of the Company's middle and senior level managers and backbone members, thus enhancing the Company's ability to attract, motivate and retain talents.

2021 is a year of hope. The Company will adhere to the strategic positioning of "serving technology and new economy companies", follow the development direction of becoming "specialized, investment-institutionalized and digitalized", provide efficient financial services and equipment finance lease solutions for technology and new economy companies, address customers' financing and development "pain points", and create greater value for Shareholders, staff members and all sectors of the society.

Chairman of the Board



DUAN Hongwei
March 19, 2021

General Manager's Statement

Dear Shareholders,

As the world grapple with the epidemic, China is the only major economy that has achieved positive growth, realizing the first "RMB ten billion" gross domestic product in its history. What's supporting the economic growth are the rapid development of science and technology and new economy industries. The contribution rate of China's science and technology progress in gross domestic product is expected to exceed 60% in 2020. Since the establishment of the Company, the Company has been committed to providing finance lease and investment-lease linkage financial service solutions for technology and new economy companies. We have been serving more than 1,100 customers, and at the same time, the continuous expansion of high-quality science and technology innovation customer base guaranteed solid support for rapid growth of value.

Looking back at 2020, with the strong support of Shareholders and the wise leadership of the Board, the management level of the Company focused on "corporate governance upgrading, customer acquisition technology innovation, and product service improvement". We worked with diligence and dedication at all time, effectively coped with the impact of the epidemic and regulatory changes, maintained a high business growth rate, and made progress in all fields of work.

First, "corporate value". We continuously optimize and renew our business model, explore new paths to achieve higher value, and actively promote the full circulation of the two shareholders' H shares to expand the circulated market value. Second, we doubled down efforts on developing new customers in strategic emerging areas such as robotics, 5G industry, new consumption and other industries. We independently hosted the Beijing innovation and Entrepreneurship Competition for the first time, and actively participated in a number of reputed competitions such as Maker Beijing held by Beijing Municipal Bureau of Economy and Information Technology and Zhongguancun International Frontier Technology Innovation Competition held by Zhongguancun Management Committee. Third, effective risk prevention and control. As of December 31, 2020, the bad assets rate was controlled at 1.5%, and the quality of assets had withstood the impact of COVID-19. The provision coverage rate reached 163.2%, an increase of 5.2 percentage points over the same period last year, which greatly improved the Company's ability to resist risks. Fourth, our growing operation ability. A completed compliance system that meet the requirements for listed companies has been put in place; the informatization construction has achieved remarkable results, the data center has been established, the construction of office automation phase I, financial system phase I and risk system phase II have been successfully completed, and the digital operation has been leveling up; the human resource system has been further enhanced, and the employee stock ownership plan and stock appreciation right incentives have been implemented, providing strong support to ensuring stable staff teams.

General Manager's Statement

Looking forward to 2021, the Company will emphasize on the development model of "new lease" and focus on four dimensions. We will continue to improve the Company's value, optimize and upgrade our business model, and build us into a financial service provider for the science and technology innovation ecology.

First, new risk control technology. We will reshape the risk control system based on the "two relaxations and two reinforcements" risk control concept, which is to relax the requirements on enterprise financial indicators and on enterprise guarantee, while reinforcing requirements on enterprise development driving force and organizational force, and on evaluation of enterprise related relationship (businesses, shareholders).

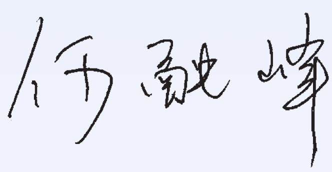
Second, new business model. We will innovate the traditional development model which relied solely on interest margin income. Capturing the high growth of science and technology industry, we will extend to the high end of financial value chain by the means of "lease +" related industries, and promote the transformation of enterprises to the development model where capital-intensive and intelligence-intensive model share an equal weight.

Third, new product portfolio. On the basis of the existing lease services including direct lease, leaseback, service lease, project lease and sales lease, we propose to launch option lease and intellectual property lease. Option leasing helps small and medium-sized enterprises reduce financing cost and hedges risk with option leasing products; intellectual property leasing broadens the forms of lease and thus attracts wider range of customers.

Fourth, new operation model. On the basis of the intelligent risk control system, we will be able to improve our digital level and operational efficiency through online business, online project review, online finance operations and other measures.

All virtues and efforts will eventually pay off. In the new year, the Company will, as always, contribute to science and technology dreams, bring warmth to entrepreneurship and work earnestly on innovation. In the end, on behalf of all employees of the Company, I would like to sincerely thank all our customers, partners and Shareholders for your unwavering support and trust.

General Manager



HE Rongfeng
March 19, 2020

Profile of Directors, Supervisors and Senior Management

DIRECTORS

The Board currently consists of eight Directors, comprises of three non-executive Directors, two executive Directors and three independent non-executive Directors. The following table sets forth the information regarding the Directors:

Name	Age	Position	Date of Appointment as Director
Non-executive Directors			
Mr. DUAN Hongwei	57	Chairman and non-executive Director	August 13, 2019
Mr. LOU Yixiang	45	Non-executive Director	August 13, 2019
Mr. ZHANG Shuqing	47	Non-executive Director	August 13, 2019
Executive Directors			
Mr. HE Rongfeng	53	Executive Director and general manager	August 13, 2019
Mr. HUANG Wen	46	Executive Director, deputy general manager, board secretary and head of finance team	August 13, 2019
Independent Non-executive Directors			
Mr. CHENG Dongyue	61	Independent non-executive Director	September 20, 2019
Mr. WU Tak Lung	55	Independent non-executive Director	August 29, 2019
Ms. LIN Zhen	37	Independent non-executive Director	August 29, 2019

Profile of Directors, Supervisors and Senior Management

Non-executive Directors

Mr. DUAN Hongwei (段宏偉), aged 57, is the chairman of the Board and non-executive Director. Mr. Duan has been serving as an executive director and the general manager of ZGC Finance since March 2019, and he also served as its general manager from October 2010 to June 2012, primarily responsible for general management and operation of the company. He has been serving as an executive director of Beijing Zhongguancun Lingchuang Financial Information Services Co., Ltd. (北京中關村領創金融信息服務有限公司) since March 2018, primarily responsible for overall operation and management. He served as the chairman of the board of Beijing Zhongguancun Technology Financing Guarantee Co., Ltd. (北京中關村科技融資擔保有限公司) from November 2010 to October 2019, primarily responsible for management of the board of directors. He has served as the chairman of the board of Beijing Zhongguancun Dengling Investment Fund Management Co., Ltd. (北京中關村瞪羚投資基金管理有限公司) since July 2011. From April 2005 to October 2010, he served in several positions in the Administrative Committee of Zhongguancun Science Park, including the director of the industry development department and the director of the finance department.

Mr. Duan graduated from Zhejiang University (浙江大學) with a bachelor's degree in engineering in July 1985. He obtained a master's degree in engineering from Tsinghua University (清華大學) in September 2003. He studied at China Europe International Business School (中歐國際工商學院) from September 2004 to September 2006 and obtained a degree of EMBA. He obtained the certificate of senior engineer granted by Beijing Senior Professional Technical Position Review Committee (北京市高級專業技術職務評審委員會) in October 1997.

Mr. LOU Yixiang (婁毅翔), aged 45, is a non-executive Director. Mr. Lou has served as the chairman of the board and general manager of Beijing Zhongguancun Science and Technology Industry Research Institute Co., Ltd. (北京中關村科技產業研究院有限公司) since January 2021. He has served as a director of Beijing Zhongguancun Technology Financing Guarantee Co., Ltd. (北京中關村科技融資擔保有限公司) since February 2019, and He has served as a director of Beijing Zhongguancun Electronic City Construction Co., Ltd. (北京中關村電子城建設有限公司) since March 2018. He has successively served as a vice director and director of the strategy management department (previously known as strategy development department) of ZGC Group since April 2015, primarily responsible for corporate strategies development. From July 2003 to May 2015, he served in several positions in local government institutions including a vice director of the integration office of national economy in Beijing Municipal Commission of Development and Reform and principal staff member (主任科員) of the general office under the research department of Beijing municipal government.

Mr. Lou graduated from Renmin University of China (中國人民大學) with a bachelor's degree in economics in July 1999 and with a master's degree in July 2003.

Mr. ZHANG Shuqing (張書清), aged 47, is a non-executive Director. Mr. Zhang has served in several positions at ZGC Group since April 2012. He has been the executive vice general manager of ZGC Finance since April 2020. He has been the vice general manager of the technology finance department of ZGC Group from June 2018 to April 2020, primarily responsible for overall management of the department. Prior to that, Mr. Zhang served as the manager of the innovation service division under the technology finance department of ZGC Group from July 2014 to June 2018, and served as the director of the financial services department of ZGC Group from April 2012 to July 2014. Mr. Zhang has also served as a director of several of ZGC Group's subsidiaries, including Beijing Zhongguancun Technology Financing Guarantee Co., Ltd. (北京中關村科技融資擔保有限公司) since May 2014, Beijing Oriental Yonghe Culture Investment Co., Ltd. (北京東方雍和文化創意投資有限公司) from September 2015 to June 2020 and Zhongguancun VC Development Center (北京中關村創業投資發展有限公司) since February 2016. Mr. Zhang served as the chairman of the board of Beijing Zhongguancun Microcredit Co., Ltd. (北京市中關村小額貸款股份有限公司) from June 2017 to November 2018 and he has been serving as a director and general manager of Beijing Qiyuan Capital Market Development Service Co., Ltd. (北京啟元資本市場發展服務有限公司), an associated company of ZGC Group, since June 2018, primarily responsible for overall operation and management of the company. From January 2010 to May 2012, he was a postdoctoral research fellow at the mobile station of postdoctoral scientific researchers at Tsinghua University School of Public Policy and Management (清華大學公共管理博士後科研流動站).

Mr. Zhang obtained a master of laws degree and doctor of laws degree from Southwest University of Political Science and Law (西南政法大學) in June 2006 and January 2010, respectively. He obtained the legal professional qualification certificate granted by the Ministry of Justice in February 2006.

Executive Directors

Mr. HE Rongfeng (何融峰), aged 53, is an executive Director and the general manager of the Company. Mr. He has around 15 years of experience in finance leasing and corporate management. He has been serving as a director of Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. (北京中諾同創投資基金管理有限公司) since April 2019, and as a director of Beijing Zhongguancun Synergetic Innovation Investment Fund Management Co., Ltd. (北京中關村協同創新投資基金管理有限公司) since July 2016. Prior to joining the Company, Mr. He served as the deputy general manager of China KangFu International Leasing Co., Ltd. (中國康富國際租賃股份有限公司), a company whose shares are quoted on National Equities Exchanges and Quotations (stock code: 833499), from March 2005 to January 2009. He then served as the general manager of China KangFu International Leasing Co., Ltd. from February 2009 to December 2012, responsible for the overall operation and management of the company.

Mr. He graduated from Xiangtan University (湘潭大學), majority in mechanical engineering and obtained a bachelor's degree in engineering in June 1990.

Profile of Directors, Supervisors and Senior Management

Mr. HUANG Wen (黃聞), aged 46, is an executive Director, deputy general manager, the board secretary, and head of finance team of the Company. Mr. Huang joined the Company in April 2013 as the general manager assistant, then has been serving as a deputy general manager of the Company since December 2014. Mr. Huang has around 13 years of experience in corporate management. Prior to joining the Company, Mr. Huang served as the general manager of Beijing region of Ping An Pratt & Whitney Finance Guarantee Co., Ltd. (平安普惠融資擔保有限公司, previously known as Fudeng Investment Credit Guarantee Co., Ltd. (富登投資信用擔保有限公司)) from August 2011 to January 2013. He served as a deputy general manager in Tianjin Bohai Finance Guarantee Co., Ltd. (天津渤海融資擔保有限公司) from June 2010 to July 2011. Mr. Huang served as the vice president of Zhongyuan Guoxin Credit Guaranty Co., Ltd. (中元國信信用擔保有限公司) from January 2009 to January 2010, prior to which he served as the deputy manager of its guarantee department from September 2004 to September 2006.

Mr. Huang graduated from Capital University of Economics and Business (首都經貿大學) with a bachelor's degree in economics in July 1997. He further obtained a master's degree in business administration from Tsinghua University (清華大學) in July 2004.

Independent Non-executive Directors

Mr. CHENG Dongyue (程東躍), aged 61, is an independent non-executive Director. Mr. Cheng has extensive working experience in finance lease industry. He has been serving as the chairman of the board of Finance Leasing Research Center of Zhejiang University (浙江大學融資租賃研究中心) since March 2017. He served as the chairman of the board of the board and general manager of Guangzhou Yuexiu Finance Leasing Co., Ltd. (廣州越秀融資租賃有限公司) from May 2012 to June 2015, primarily responsible for overall management of the company, and during the same period, he also served as a deputy general manager of Guangzhou Yuexiu Finance Holding Co., Ltd. (廣州越秀金融控股集團有限公司), primarily responsible for finance leasing business. He served as the general manager of Bank of Communications Finance Leasing Co., Ltd. (交銀金融租賃有限責任公司) from December 2007 to July 2010, primarily responsible for overall management of the company.

Mr. Cheng graduated from Zhongnan University of Economics and Law (中南財經政法大學), majoring in business economics, and obtained a master's degree in economics in October 1986. He also obtained a doctor's degree in management from Zhejiang University (浙江大學) in June 2005.

Mr. WU Tak Lung (吳德龍), aged 55, is an independent non-executive Director. Mr. Wu has served as an independent non-executive director of each of the following companies listed on the Stock Exchange: (1) Minth Group Limited (a company listed on the Stock Exchange, stock code: 0425), (2) China Machinery Engineering Corporation (a company listed on the Stock Exchange, stock code: 1829), (3) Sinomax Group Limited (a company listed on the Stock Exchange, stock code: 1418), (4) Kam Hing International Holdings Limited (a company listed on the Stock Exchange, stock code: 2307), (5) Sinopharm Group Co., Ltd. (a company listed on the Stock Exchange, stock code:1099) and (6) Henan Jinma Energy Company Limited (a company listed on the Stock Exchange, stock code: 6885).

Save as disclosed above, Mr. Wu held several directorship positions in the following listed companies in the last three years: (1) First Tractor Company Limited (a company listed on the Stock Exchange and Shanghai Stock Exchange), (2) Olympic Circuit Technology Co., Ltd. (a company listed on the Shanghai Stock Exchange), (3) Beijing Media Corporation Limited (a company listed on the Stock Exchange) and (4) Sinotrans Shipping Limited (a company listed on the Stock Exchange and was delisted in January 2019).

Mr. Wu was awarded the bachelor's degree of business administration in accounting by the Hong Kong Baptist University and the master's degree of business administration jointly by the University of Manchester and the University of Wales. He had worked in an international accounting firm, Deloitte Touche Tohmatsu, for five years, and was then employed by several listed and private companies in Hong Kong as head of corporate finance and executive director.

Mr. Wu is a member of Hong Kong Institute of Certified Public Accountants, a fellow member of Hong Kong Securities and Investment Institute, the Association of Chartered Certified Accountants, the Taxation Institute of Hong Kong and the Hong Kong Institute of Chartered Secretaries.

Ms. LIN Zhen (林禎), aged 37, is an independent non-executive Director. Ms. Lin is a partner at the Shanghai office of Grandall Law Firm (國浩律師事務所) since June 2012, responsible for providing professional legal services mainly with respect to corporate and securities law. Prior to that, she successively served as a legal assistant and a lawyer at Grandall Law Firm since July 2005.

Ms. Lin graduated from East China University of Political Science and Law (華東政法大學) with a bachelor's degree in law in July 2005. She obtained a master's degree in international and comparative law from Illinois Institute of Technology Chicago-Kent College of Law in May 2010. She was accredited as a PRC lawyer by Shanghai Municipal Bureau of Justice in December 2006.

Profile of Directors, Supervisors and Senior Management

SUPERVISORS

The following table sets forth the information regarding the Supervisors.

Name	Age	Position	Date of Appointment as Supervisor
Mr. ZHANG Jian	50	Chairman of the board of Supervisors	August 13, 2019
Mr. TIAN Anping	42	Supervisor	August 13, 2019
Mr. FANG Fang	40	Supervisor	August 13, 2019
Mr. TONG Chao	43	Supervisor	August 13, 2019
Ms. ZHOU Di	43	Supervisor	August 13, 2019
Ms. HAN Nana	39	Supervisor	August 13, 2019

Mr. ZHANG Jian (張健), aged 50, is the chairman of the Board of Supervisors. Mr. Zhang has been the director of the capital operation department of ZGC Group since December 2015, prior to which he served as the vice director of this department from November 2012. Mr. Zhang has also served in several of ZGC Group's subsidiaries, including as the chairman of the board and general manager of Zhongguancun Zhizhen Environment Protection Co., Ltd (中關村至臻環保股份有限公司) since May 2020, as a director of Beijing Shichuang High-tech Development Co., Ltd. (北京實創高科技發展有限責任公司) since January 2018, as a director of Beijing Oriental Yonghe Culture Investment Co., Ltd. (北京東方雍和文化創意投資有限公司) from October 2017 to September 2019, and as a director of China Beijing Equity Exchange Group Co., Ltd. (北京產權交易所有限公司) from April 2017 to September 2019. Prior to joining ZGC Group, he served in several positions at Bozheng Capital Investment Co., Ltd. (博正資本投資有限公司) from March 2011 to August 2012, including the vice president and senior vice president of the business department and vice general manager. From January 2005 to February 2011, he served as the vice general manager of the assets management department and the board secretary of Cernet Corporation (賽爾網絡有限公司).

Mr. Zhang graduated from Nankai University (南開大學) with a bachelor's degree in international economics in July 1993. He obtained a master's degree in business administration and doctoral degree in management from Tsinghua University School of Economics and Management (清華大學經濟管理學院) in July 1999 and January 2005, respectively.

Mr. TIAN Anping (田安平), aged 42, is a Supervisor. Mr. Tian has served in several positions in Chaoyang SCOMC since August 2011, including the vice director of general matter office and principal of Communist Party of China ("**CPC**") related affairs, and is currently the director of the Party-masses work department, primarily responsible for CPC-related affairs. From December 2017 to August 2019, Mr. Tian served as a Director of the Company. From September 2001 to August 2011, he served in Beijing Jinchaoyang Commerce & Trade State-owned Asset Operation Company (北京金朝陽商貿國有資本運營管理有限公司), primarily responsible for corporate administrative management.

Mr. Tian graduated from Beijing Technology and Business University (北京工商大學), majoring in management engineering, and obtained a bachelor's degree in engineering in June 2001.

Mr. FANG Fang (方放), aged 40, is a Supervisor. Mr. Fang has been serving in several positions in Nanshan Capital since July 2016 and currently is a director and the general manager of Nanshan Capital, primarily responsible for overall operation and management. He served as a director of Zhuhai Hengqin Nanshan Kaiyuan Assets Management Co., Ltd. (珠海橫琴南山開源資產管理有限公司) from October 2017 to September 2020. Prior to joining Nanshan Capital, Mr. Fang served at Ministry of Foreign Affairs of the PRC from August 2004 to July 2016, primarily responsible for financial matters.

Mr. Fang graduated from Shandong University of Finance (山東財政學院), majoring in financial management, and obtained a bachelor's degree in management in July 2004.

Mr. TONG Chao (佟超), aged 43, is a Supervisor. Since joining the Company in April 2013, Mr. Tong successively served as the director of the leasing team, risk management team and information technology team and he was promoted to serve as a chief expert of the Company in January 2018. Prior to joining the Company, Mr. Tong served as the general manager of the leasing department of Huayuan Leasing Co., Ltd. (華遠租賃有限公司) from October 2011 to April 2013. He served as a regional manager of the education sector of Far East International Leasing Co., Ltd. (遠東國際租賃有限公司) from October 2009 to April 2011, primarily responsible for finance leasing business in Inner Mongolia. He served at the Beijing branch of Citibank from September 2008 to July 2009, and successively served as a clerk and business manager at the Shenyang branch of China Merchants Bank from September 2000 to July 2006.

Mr. Tong graduated from Dongbei University of Finance and Economics (東北財經大學), majoring in currency and banking, and obtained a bachelor's degree in economics in July 2000. He obtained a master's degree in business administration from Tsinghua University (清華大學) in July 2008.

Profile of Directors, Supervisors and Senior Management

Ms. ZHOU Di (周迪), aged 43, is a Supervisor. Ms. Zhou joined the Company in April 2013. She has been the vice director of the legal affairs team of the Company since April 2020, prior to which, Ms. Zhou served as the vice director of the assets management team from January 2018, the director assistant of the assets management team from June 2016 and as the legal manager of the assets management team from April 2013, primarily responsible for legal affairs and assets disposal. Prior to joining the Company, Ms. Zhou was an attorney at Shaanxi Rongde Law Firm (陝西融德律師事務所) from January 2009 to January 2013.

Ms. Zhou graduated from the Northwest University of Political Science and Law (西北政法大學, previously known as Northwest Institute of Politics and Law (西北政法學院)) with a bachelor's degree in law in July 1999. She obtained a master's degree in law from Xi'an Jiaotong University (西安交通大學) in June 2009. Ms. Zhou was accredited as a PRC lawyer by the Ministry of Justice in May 1999. She obtained the securities certificate of qualification granted by Securities Association of China in November 2015. She also obtained the training certificate of board secretary granted by the Training Center of Ministry of Human Resources and Social Security of the PRC in April 2019.

Ms. HAN Nana (韓娜娜) (with former name Lina Han (韓麗娜)), aged 39, is a Supervisor. Since joining the Company in March 2018, Ms. Han has been serving as a vice director of the human resources team & Party-masses work team of the Company. Prior to joining the Company, from August 2005 to March 2018, Ms. Han served in several positions in Aerospace Long March Launch Vehicle Technology Co., Ltd. (航天長征火箭技術有限公司), including an assistant of the Party-masses work department, and a deputy division chief of the corporate culture division at the Party-masses work department.

Ms. Han graduated from Renmin University of China (中國人民大學) with a bachelor's degree in philosophy in July 2002 and with a master's degree in Marxist philosophy in July 2005, respectively. She obtained the qualification of senior political work staff (高級政工師) granted by China Aerospace Science and Technology Corporation (中國航天科技集團有限公司) in August 2011.

SENIOR MANAGEMENT

The following table sets forth the information regarding the senior management of the Company.

Name	Age	Position	Timing of joining the Company
Mr. DOU Jiyan	42	Deputy general manager and head of risk management team	April 30, 2013
Ms. YANG Pengyan	44	Deputy generalmanager	April 30, 2013
Mr. LIU Shouquan	39	General manager assistant	November 1, 2013
Mr. LIANG Jingji	44	General manager assistant and director of the assets management team	April 30, 2013
Mr. GAO Wei	54	Company secretary	June 17, 2019

Mr. DOU Jiyan (竇繼岩), aged 42, is a deputy general manager and head of risk management team of the Company and is responsible for big data business, eco-solutions business, life sciences & healthcare business, intelligent manufacturing business, and internet-based products & services business. Mr. Dou joined the Company in April 2013 and served as the director of the risk management team of the Company until December 2014. Then he served as a general manager assistant of the Company from December 2014 and Mr. Dou was promoted and has been serving as a deputy general manager since October 2017. Mr. Dou has been serving as the chairman of the board of Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. (北京中諾同創投資基金管理有限公司) since April 2019. Prior to joining the Company, Mr. Dou served as a senior manager of the marketing department of Doushan (China) Financial Leasing Co., Ltd. (斗山(中國)融資租賃有限公司) from September 2007 to May 2013.

Mr. Dou graduated from Shandong Technology and Business University (山東工商學院, formerly known as China Coal Economic College (中國煤炭經濟學院)) with a bachelor's degree in management in July 2002. He obtained the certificate of senior economist granted by Beijing Municipal Human Resources and Social Securities Bureau in September 2019.

Profile of Directors, Supervisors and Senior Management

Ms. YANG Pengyan (楊鵬艷), aged 44, is a deputy general manager of the Company and is primarily responsible for innovation division team, marketing team, human resources/party mass work team and general office. Ms. Yang joined the Company in April 2013 as a vice director of the business development department of the Company. In December 2014, she was promoted to serve as the director of strategy development team of the Company. Ms. Yang was further promoted to and she has been serving as a deputy general manager of the Company since September 2017. Prior to joining the Company, Ms. Yang served as the head of the planning and development department of ZGC Group from January 2012 to April 2013. From August 2010 to March 2011, she temporarily served as a president assistant in the insurance and non-banking service department of Beijing Financial Work Bureau (北京市金融局保險與非銀服務處) for training purpose. From March 2009 to May 2012, she was a postdoctoral fellow majoring in applied economics at Peking University (北京大學).

Ms. Yang graduated from University of Jinan (濟南大學, previously known as Shandong Construction Material & Industrial School (山東建築材料工業學院)) with a bachelor's degree in engineering in July 1998. She graduated from University of International Business and Economics with a master's degree in law in June 2003. She further obtained a doctor's degree in economics from University of International Business and Economics in June 2008. She was granted the legal professional qualification by the Ministry of Justice in September 2002. She obtained the certificate of senior economist granted by Beijing Senior Professional Technical Qualification Review Committee (北京市高級專業技術資格評審委員會) in September 2016.

Mr. LIU Shouquan (劉守泉), aged 39, is a general manager assistant of the Company and is primarily responsible for project assessment team, risk management team, information technology team and audit team. Mr. Liu joined the Company in November 2013 as a senior manager of the leasing team of the Company and served in that position until December 2014. From December 2014 to January 2018, he successively served as the vice director and the director of the leasing team, and he has been serving as the general manager assistant of the Company since January 2018. Prior to joining the Company, Mr. Liu served as the general manager assistant in Beijing Kaiyuan Finance Leasing Co., Ltd. (北京開元融資租賃有限公司) from April 2012 to October 2013. He served in Zhongdan Investment Credit Assurance Co., Ltd. (中擔投資信用擔保有限公司) from September 2009 to February 2012, primarily responsible for guarantee business. He served in Beijing Hyundai Motor Company (北京現代汽車有限公司) from August 2003 to July 2006.

Mr. Liu obtained a bachelor's degree in management from School of Network Education of Renmin University of China (中國人民大學網絡教育學院) in June 2007 through long distance learning course.

Mr. LIANG Jingji (梁經基), aged 44, is the general manager assistant and is primarily responsible for operation of assets management team and legal affairs team of the Company. Mr. Liang has been serving as the director of the assets management team of the Company since joining the Company in April 2013. He has also been serving as a chief expert and general manager assistant since January 2018 and January 2019, respectively. Prior to joining the Company, Mr. Liang served as the general counsel of China KangFu International Leasing Co., Ltd. (中國康富國際租賃有限公司), a company whose shares are quoted on National Equities Exchanges and Quotations (stock code: 833499), from September 2007 to April 2013, primarily responsible for legal affairs.

Mr. Liang graduated from Hunan Normal University (湖南師範大學) with a bachelor's degree in Arts in June 1999. He graduated from Xiangtan University (湘潭大學) with a master's degree in law in June 2006. He was accredited as a PRC lawyer by Beijing Municipal Bureau of Justice in December 2007.

Mr. GAO Wei (高偉), aged 54, is the company secretary of the Company. Mr. Gao has extensive experience in corporate financing and managing overseas-listed companies. He was one of the council members of The Hong Kong Institute of Chartered Secretaries from January 2012 to December 2020, and he served as its vice president from April 2014 to December 2020; he served as one of the vice chairmen of the board secretary committee of China Association for Public Companies (中國上市公司協會) from November 2015 to November 2018. He served as a director of Sinotrans Air Transportation Development Co., Ltd. (中外運空運發展股份有限公司, a company previously listed on Shanghai Stock Exchange with the stock code of 600270) from November 2011 to June 2019. He served as the general manager of the company from January 2016 to June 2019, primarily responsible for overall operation and management and he served as the legal representative of the company from January 2017 to August 2019. He served as the board secretary and company secretary of Sinotrans Limited (中國外運股份有限公司), a company listed on the Stock Exchange with the stock code of 0598) from January 2003 to December 2016, primarily responsible for secretarial work; he served as the general counsel of Sinotrans Limited from January 2010 to June 2019, primarily responsible for legal affairs. He served as the board secretary and head of finance team of the Company from June 2019 to February 2020, and he has been the company secretary of the Company since June 2019.

Mr. Gao graduated from University of Science and Technology Beijing (北京科技大學) majoring in management engineering in July 1989, and further obtained a master's degree in economics from Central University of Finance and Economics (中央財經大學) in January 1993. He obtained a doctor's degree in law from University of International Business and Economics (對外經濟貿易大學) in June 1999. He was accredited as a PRC lawyer by the Ministry of Justice in October 1996. He is a fellow member of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. Mr. Gao has been serving as a visiting professor of the Law School of University of International Business and Economics since January 2019. He is also an arbitrator of each of China International Economic and Trade Arbitration Commission, China Maritime Arbitration Commission and Beijing Arbitration Commission.

	For the year ended December 31,				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating Performance					
Revenue	**587,565**	515,340	412,783	358,581	318,046
Interest income	**480,944**	420,698	340,571	283,771	253,496
Advisory fee income	**106,621**	94,642	72,212	74,810	64,550
Other net income	**19,079**	18,759	16,331	9,606	10,631
Interest expense	**(232,839)**	(220,978)	(168,012)	(155,134)	(146,890)
Operating expense	**(116,141)**	(100,190)	(74,854)	(56,820)	(47,341)
Impairment losses charged	**(44,467)**	(27,768)	(27,364)	(25,969)	(24,073)
Share of losses of associates	**(1,687)**	(265)	–	–	–
Net foreign exchange gains/ (losses)	**3,999**	(12)	–	–	–
Profit before taxation	**215,509**	184,886	158,884	130,264	110,373
Profit for the year	**161,466**	138,256	118,996	97,435	82,623
Basic and diluted earnings per Share (in RMB)	**0.12**	0.14	0.12	0.13	0.17
Profitability					
Return on average equity[(1)]	**9.8%**	10.3%	9.6%	10.6%	13.6%
Return on average assets[(2)]	**2.1%**	2.1%	2.2%	2.0%	2.1%
Net interest margin[(3)]	**3.6%**	3.4%	3.6%	3.1%	2.9%
Net interest spread[(4)]	**2.4%**	2.2%	2.4%	2.2%	2.2%
Net profit margin[(5)]	**27.5%**	26.8%	28.8%	27.2%	26.0%

Notes:

(1) Calculated by dividing profit for the year by the average balance of total equity at the beginning and the end of the year.

(2) Calculated by dividing profit for the year by the average balance of total assets at the beginning and the end of the year.

(3) Calculated by dividing net interest income for the year by the average balance of interest-earning assets.

(4) Calculated as the difference between interest income yield and interest expense cost.

(5) Calculated by dividing profit for the year by the total revenue for the year.

	As of December 31,				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**8,165,054**	6,988,985	5,968,956	4,999,834	4,619,205
Finance lease receivables	**7,382,156**	6,424,127	5,376,794	4,421,144	4,109,052
Total liabilities	**6,249,239**	5,596,729	4,681,195	3,797,118	3,987,280
Borrowings	**4,153,046**	4,158,382	3,319,747	2,612,265	3,043,280
Total equity	**1,915,815**	1,392,256	1,287,761	1,202,716	631,925
Net assets per share (in RMB)	**1.44**	1.39	1.29	1.20	1.26
Financial assets and liabilities(1)					
Financial assets	**8,766,671**	7,436,344	6,332,819	5,232,702	4,849,368
Financial liabilities	**6,212,404**	5,614,668	4,610,932	3,745,652	4,085,872
Financial Indicators					
Liability to asset ratio(2)	**76.5%**	80.1%	78.4%	75.9%	86.3%
Risk asset to equity ratio(3)	**397.4%**	480.9%	437.6%	387.6%	694.1%
Liquidity ratio(4)	**104.0%**	117.7%	112.2%	145.5%	139.8%
Gearing ratio(5)	**216.8%**	298.7%	257.8%	217.2%	481.6%
Interest-earning asset quality					
NPA ratio(6)	**1.5%**	1.3%	1.3%	1.5%	0.7%
Allowance coverage ratio for NPAs(7)	**163.2%**	158.0%	151.2%	118.0%	197.8%

Notes:

(1) Calculated based on contractual undiscounted cash flows.

(2) Calculated by dividing total liabilities by total assets.

(3) Calculated by dividing risk assets by total equity. Risk assets are the total assets net of cash and cash equivalents and pledged and restricted deposits.

(4) Calculated by dividing current assets by current liabilities as of the end of the year.

(5) Calculated by dividing total debt by total equity. The total debt consisted of borrowings.

(6) Represent the percentage of NPAs in the total interest-earning assets before deducting allowances for impairment losses.

(7) Calculated by dividing allowances for impairment losses of interest-earning assets by the balance of non-performing interest-earning assets.

Management Discussion and Analysis

1. BUSINESS REVIEW

1.1 Economic Situation

In 2020, China's economy showed great resilience in the face of the sudden epidemic crisis and complex domestic and international situations. According to data from the National Bureau of Statistics, China's gross domestic product was RMB101.6 trillion in 2020, making China the only major economy in the world to achieve positive economic growth.

In the transformation towards "Double Circulation" with "Internal Circulation" as the priority, scientific and technological progress has become the "driving force" of economic growth. It was predicted that scientific and technological progress would contribute to not less than 60% of the economic growth in 2020. The rapid growth of intelligent manufacturing, bio-medicine, new generation information technology and other science and technology industries resulted in stable development predictions for service industries including science and technology leasing.

With the promulgation of the Interim Measures for the Supervision and Administration of Financial Leasing Companies (《融資租賃公司監督管理暫行辦法》) and other policies, the supervision of the financial leasing industry has stepped up and the industry has been further standardized, with an aim to achieve development with "reducing quantity and increasing quality". At the same time, the number of financial leasing enterprises in China reached 12,156 in 2020, representing an increase of 26 enterprises over the previous year. The further intensified competition and the withdrawal of inefficient enterprises will continuously level up industry concentration and benefit the industry leaders in subdivided fields.

1.2 The Impact of the COVID-19 Pandemic

The impact of the COVID-19 on the Group is concentrated in the first half of 2020, mainly due to: (i) travel control measures during the outbreak restricted project due diligence; (ii) in the face of the economic downturn brought about by the epidemic, the investment and financing demand of the customers declined, and the development of customers was particularly difficult; and (iii) some enterprises had weak ability to resist the epidemic risk and the risk of leasing loans increased.

Affected by the epidemic, the growth rate of the Group's annual revenue and annual profit decreased by 10.8 percentage points and increased by 0.6 percentage points from the growth rate in 2019, respectively. The Group has gradually eliminated the impact of the COVID-19 on the Group's finances and operations.

In 2020, the Group had sufficient liquidity and sufficient working capital. For the status of liquidity and working capital, please see Management Discussion and Analysis "5.3 Liquidity Risk". The Group assessed the matching of financial assets with financial liabilities over the next 5 years.

The Group's main response is set out in the following section, and the Group's business has returned to normal after the impact of the outbreak weakened in the second half of 2020.

1.3 Company's Response

2020 is the closing year of China's 13th Five Year Plan and the first year since the Group entered the international capital market. In the face of various difficulties, all staffs have been working with great devotion and completed all tasks with high standard and quality. Our major progresses are as follows:

First, we exceeded our investment targets. We responded to the epidemic scientifically and rapidly resumed business and production. Our operations resumed on February 3, right after the end of the Spring Festival holiday, in an effort to minimize the impact of the epidemic. In terms of businesses development, we applied remote due diligence, remote contract signing, online marketing and other means to facilitate project implementation. At the same time, we continued to improve our professional ability, actively worked on service robots, 5G, new consumption and other industry subdivisions, and further optimized the customer structure.

Second, the economic indicators of our performance ranked high in the industry. Our main business income in 2020 was RMB588 million, an increase of 14.0% over the same period last year; the total profit was RMB216 million, an increase of 16.6% over the same period last year, showing a growth rate of top industry benchmark.

Third, the "investment and lease linkage" platform had a great start. The "investment and lease linkage" platform has been officially put into operation. It has successfully delivered six projects with an investment amount of about RMB63 million, approved about RMB45 million to be invested, and reserved more than 10 projects. The performance of invested enterprises all exceeded their peers in the same industry, providing a new growth point for the steady development of the Company's business.

Fourth, asset quality has been basically stable. We strictly abide by the customer access requirements, created new asset credit model, optimized the main credit model, and rebuilt the debt evaluation model, which became more scientific and prudent. We launched the Simba Risk Management System 2.0 which moved the entire project rating system online with more complete functions and smoother user experience.

Fifth, the financing structure has been optimized continuously. We actively expanded financing channels and conducted strategic cooperation with banks. We seized the opportunity of liquidity easing and took various measures to reduce the new financing cost, promote the downward trend of the cost of existing funds and control the annual after-tax financing cost to be below 4.75%. We successfully introduced foreign debt loans to reduce the financing cost with low-cost overseas funds. We successfully issued the first domestic private technology and new economy enterprise (shelf type) lease asset securitization products of the PRC, and won the "financial leasing ABS excellent demonstration product" award ("融資租賃ABS優秀示範產品"獎).

2. ANALYSIS OF PROFIT OR LOSS

2.1 Overview

In 2020, the Group continuously adopted the customer-oriented business model, and was dedicated to serving technology and new economy companies of high growth potential in the PRC. The Group was able to benefit from the business growth of the customer, and maintained steady growth in its business performance. In 2020, the Group realized a total revenue of RMB587.6 million, representing a 14.0% year-on-year growth, and the profit during the year increased to RMB161.5 million, representing a 16.8% year-on-year growth.

2.2 Revenue

The revenue of the Group increased by 14.0% from RMB515.3 million in 2019 to RMB587.6 million in 2020, and the interest income and advisory fee income recorded stable growth. In 2020, the Group realized an interest income of RMB480.9 million, accounting for 81.9% of the total revenue and representing a 14.3% year-on-year growth. Advisory fee income increased by 12.7% to RMB106.6 million in 2020.

The following table sets forth the Group's breakdown of revenue and the changes of the different segments:

	For the year ended December 31,				
	2020		2019		Changes
	RMB'000	% of total	RMB'000	% of total	
Interest income	480,944	81.9%	420,698	81.6%	14.3%
Advisory fee income	106,621	18.1%	94,642	18.4%	12.7%
Total revenue	587,565	100.0%	515,340	100.0%	14.0%

Management Discussion and Analysis

The Group's customers are mainly concentrated in five technology and new economy industries: big data, eco-solutions, life sciences & healthcare, intelligent manufacturing and internet-based products & services. In 2020, the Group continued to cultivate technology and new economy industries, and optimized the asset investment structure. Due to the guidance of national macro policies and strong support for infrastructure, environmental protection, digital consumption and other industries, in 2020, the revenue of the eco-solutions business division and internet-based products & services business division increased by 34.0% and 27.0% compared with the last year.

The following table sets forth the Group's breakdown of revenue and the changes of different industry segments:

	For the year ended December 31,				
	2020		2019		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Eco-solutions	**189,603**	**32.3%**	141,467	27.5%	34.0%
Life sciences & healthcare	**120,418**	**20.5%**	116,760	22.7%	3.1%
Intelligent manufacturing	**105,808**	**18.0%**	100,107	19.4%	5.7%
Big data	**77,728**	**13.2%**	78,484	15.2%	(1.0%)
Internet-based products & services	**77,357**	**13.2%**	60,907	11.8%	27.0%
Others	**16,651**	**2.8%**	17,615	3.4%	(5.5%)
Total revenue	**587,565**	**100.0%**	515,340	100.0%	14.0%

In 2020, a significant portion of the revenue was generated from the northern region of China, and business coverage of the Group expanded steadily in other regions. While further strengthening the customer base in the Beijing-Tianjin-Hebei Integrated Area, the Group has gradually penetrated its business into other regions, such as the Yangtze River Delta and the Greater Bay Area, that cultivated and nurtured a growing number of technology and new economy companies. Notably, the business growth in eastern region of China was remarkable, with an increase of 33.1% from the same period of last year.

The following table sets forth the Group's breakdown of revenue by major geographical areas:

	For the year ended December 31,			
	2020		2019	
	RMB'000	**% of total**	RMB'000	% of total
Northern	**310,512**	**52.8%**	296,365	57.5%
Eastern	**115,192**	**19.6%**	86,531	16.8%
Central	**49,937**	**8.5%**	50,955	9.9%
Southern	**37,970**	**6.5%**	29,656	5.8%
Northwestern	**41,597**	**7.1%**	25,435	4.9%
Southwestern	**15,512**	**2.6%**	11,741	2.3%
Northeastern	**16,845**	**2.9%**	14,657	2.8%
Total revenue	**587,565**	**100.0%**	515,340	100.0%

2.2.1 Interest Income

The interest income of the Group increased by 14.3% from RMB420.7 million 2019 to RMB480.9 million in 2020, accounting for 81.9% of the total revenue of the Group.

The following table sets forth the Group's amount of average balance of finance lease receivables, interest income and the average comprehensive yield by industry:

	For the year ended December 31,					
	2020			2019		
	Amount (1)	**Interest income**	**Comprehensive yield (2)**	Amount	Interest income	Comprehensive yield
	RMB'000	**RMB'000**	**%**	RMB'000	RMB'000	%
Eco-solutions	**2,236,673**	**156,070**	**7.0%**	1,711,662	112,509	6.6%
Life sciences & healthcare	**1,414,496**	**98,552**	**7.0%**	1,199,922	98,180	8.2%
Intelligent manufacturing	**1,332,213**	**88,688**	**6.7%**	1,252,135	79,911	6.4%
Big data	**939,973**	**64,936**	**6.9%**	976,536	67,411	6.9%
Internet-based products & services	**947,068**	**59,041**	**6.2%**	702,832	49,527	7.0%
Others	**192,712**	**13,657**	**7.1%**	180,615	13,160	7.3%
Total interest income	**7,063,134**	**480,944**	**6.8%**	6,023,702	420,698	7.0%

Notes:

(1) Calculated by dividing the sum of finance lease receivables before allowances for impairment losses at the beginning of the year and at the end of the year by two.

(2) Calculated by dividing interest income by average balance of interest-earning assets.

Analysis by Average Balance of Interest-earning Assets

The average balance of finance lease receivables increased by 17.3% from RMB6,023.7 million in 2019 to RMB7,063.1 million in 2020. Particularly, internet-based products & services and eco-solutions industries demonstrated strong growth in the scale, with an increase of 34.8% and 30.7%, respectively, as compared to the previous year.

Analysis by Comprehensive Yield

In 2020, the comprehensive yield of the Group was 6.8%, representing a decrease of 0.2 percentage point from 7.0% in the previous year, mainly because (i) in 2020, affected by the COVID-19 outbreak, the state implemented a series of policy to reduce the tax and fee, the rent and interest to help enterprises, and the domestic market interest rate showed a downward trend, which led to the slight decrease in comprehensive yield; and (ii) in 2020, the Group enriched the payment methods of financial leasing business, and used more bank acceptance bills for delivery, which led to a decline in the comprehensive rate of return of financial leasing business.

2.2.2 Advisory Fee Income

The advisory fee income of the Group increased by 12.7% from RMB94.6 million in 2019 to RMB106.6 million in 2020, accounting for 18.1% of the total revenue of the Group.

The Group delivered a variety of advisory services to its customers, including management and business consulting, policy advisory and finance leasing business school. According to customers' demand for policy subsidies, the Group assisted customers to apply for policy subsidies and support plans and cooperated with third-party consulting companies to analyze customers' operation results to assist with the improvement and development of the customers. The Group also provided customers with a wealth of value-added services, such as financial advisory and industry chain collaboration services, and carried out cross-border cooperation for strategic customers to enhance customer synergy.

The following table sets forth the Group's breakdown of advisory fee income of different service segments:

	For the year ended December 31,				
	2020		2019		Changes
	RMB'000	% of total	RMB'000	% of total	
Management and business advisory fee income	30,529	28.6%	23,885	25.2%	27.8%
Policy advisory fee income	76,092	71.4%	70,757	74.8%	7.5%
Total advisory fee income	106,621	100%	94,642	100.0%	12.7%

With the change of external market environment and customer growth stage, the Group has continuously enriched and upgraded the content and means of service for customers in target industries, so as to meet the actual needs of customer development and enhance customer stickiness.

The following table sets forth the Group's breakdown of advisory fee income of different industry segments:

	For the year ended December 31,				
	2020		2019		Changes
	RMB'000	% of total	RMB'000	% of total	
Eco-solutions	33,533	31.5%	28,958	30.6%	15.8%
Life sciences & healthcare	21,867	20.5%	18,580	19.6%	17.7%
Intelligent manufacturing	17,119	16.0%	20,195	21.3%	(15.2%)
Big data	12,792	12.0%	11,073	11.7%	15.5%
Internet-based products & services	18,316	17.2%	11,380	12.0%	60.9%
Others	2,994	2.8%	4,456	4.8%	(32.8%)
Total advisory fee income	106,621	100.0%	94,642	100.0%	12.7%

2.3 Interest Expense

The interest expense of the Group increased by 5.4% from RMB221.0 million in 2019 to RMB232.8 million in 2020, primarily due to the expansion of the scale of financing and the decline of the overall market financing cost caused by the financial system's efforts to benefit the real economy.

In response to the constantly changing economic and capital market environment, the Group continually tracked market trends and adhered to its flexible and diverse funding strategy. To that end, the Group made significant efforts to strengthen its collaborative relationship with various financial institutions in the market. The Group also strived to effectively control the finance costs by optimizing financing structure, increasing the proportion of direct financing, and actively exploring additional funding sources.

The following table sets forth the Group's breakdown of the interest expense by funding sources:

	For the year ended December 31,				
	2020		2019		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Commercial banks	**86,891**	**37.3%**	78,556	35.6%	10.6%
Borrowings from related parties(1)	**45,299**	**19.5%**	68,131	30.8%	(33.5%)
Asset-backed securities	**53,754**	**23.1%**	35,147	15.9%	52.9%
Imputed on interest-free guaranteed deposits	**46,121**	**19.8%**	38,104	17.2%	21.0%
Lease liabilities	**774**	**0.3%**	1,040	0.5%	(25.6%)
Total interest expense	**232,839**	**100.0%**	220,978	100.0%	5.4%

Note:

(1) Refer to the entrusted loans from the Zhongguancun Development Group Co., Ltd. (中關村發展集團股份有限公司)("**ZGC Group**") and its subsidiaries.

In 2020, the Group held an interest expense cost on borrowings of 4.6%, representing a decrease of 0.4 percentage point from the previous year. The main reasons are as follows: (1) affected by the COVID-19, monetary policy has been relatively loose, the overall financing cost of the market was lower than that of the previous year, and the new financing cost of the Group has dropped significantly, and (ii) the Group actively replaced existing liabilities, optimized the liability structure, and effectively controlled financing costs on the premise of ensuring sufficient liquidity.

The following table sets forth the Group's average balance, interest expense and interest expense yield of interest-bearing liabilities:

	For the year ended December 31,					
	2020			2019		
Borrowings[(1)]	Amount [(2)] RMB'000	Interest expense RMB'000	Average cost [(3)]	Amount RMB'000	Interest expense RMB'000	Average cost
Commercial banks	**1,913,485**	**86,891**	**4.5%**	1,614,616	78,556	4.9%
Borrowings from related parties	**1,069,231**	**45,299**	**4.2%**	1,382,462	68,131	4.9%
Asset-backed securities	**1,071,975**	**53,754**	**5.0%**	646,164	35,147	5.4%
Interest-bearing liabilities	**4,054,691**	**185,944**	**4.6%**	3,643,242	181,834	5.0%

Notes:

(1) Not including imputed interest expense on interest-free guaranteed deposits from lessees and interest expense on lease liabilities.

(2) Calculated based on the average of monthly balance of borrowings.

(3) Calculated by dividing interest expenses for the year by the monthly average balance of borrowings.

2.4 Net Interest Spread and Net Interest Margin

The following table sets forth the Group's net interest margin and relevant figures:

	For the year ended December 31,		
	2020	2019	**Changes**
	RMB'000	RMB'000	
Interest income	**480,944**	420,698	14.3%
Interest expenses	**232,839**	220,978	5.4%
Net interest income	**248,105**	199,720	24.2%
Interest income yield[1]	**7.0%**	7.1%	(1.4%)
Interest expense yield[2]	**4.6%**	4.9%	(6.1%)
Net interest spread	**2.4%**	2.2%	9.1%
Net interest margin	**3.6%**	3.4%	5.9%

Notes:

(1) Calculated by dividing interest income by the monthly average balance of interest-earning assets.

(2) Calculated by dividing interest expenses by the monthly average balance of interest-bearing liabilities.

The net interest spread of the Group in 2020 increased by 0.2 percentage point to 2.4%. The increase in net interest spread was mainly due to the decrease in the rate of return on interest expense being greater than that of interest income. For details of the change on the interest expense cost, please refer to the discussion and analysis in paragraphs headed "2.3 Interest Expense" of this section. While the average balance of interest-earning assets of the Group increased by 17.0% from the previous year, the average balance of interest-bearing liabilities of the Group increased by 11.3% from the previous year, which was the primary reason that drove the growth rate of interest income higher than that of interest expenses, and that the net interest income was growing rapidly compared with that of the previous year. Based on the above reasons, in 2020, the net interest margin of the Group was 3.6%, representing an increase of 0.2 percentage point from 3.4% in the previous year.

2.5 Other Net Income

Other net income primarily includes the government grant we received from the relevant authorities, interests from our bank deposits and investment income. In 2020, the other net income of the Group was RMB19.1 million.

The following table sets forth the Group's breakdown of other net income:

	For the year ended December 31,		
	2020	2019	**Changes**
	RMB'000	RMB'000	
Government grants	**13,194**	14,620	(9.8%)
Interests from deposits	**5,297**	3,671	44.3%
Investment income	**451**	–	–
Others	**137**	468	(70.7%)
Total other net income	**19,079**	18,759	1.7%

2.6 Operating Expense

In 2020, the operating expense of the Group amounted to RMB116.1 million, representing an increase of RMB16.0 million or a growth rate of 15.9% compared to the previous year, primarily due to: (i) the Group hired new employees for development, which increased the labor cost; (ii) the increase in depreciation, amortization and rental expense; and (iii) the increase in related professional relative service expenses.

The following table sets for the Group's breakdown of operating expenses:

	For the year ended December 31,				
	2020		2019		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Staff cost	**67,688**	**58.3%**	64,055	63.9%	5.7%
Rental expense	**2,289**	**2.0%**	1,065	1.1%	114.9%
Service expense	**15,013**	**12.9%**	9,943	9.9%	51.0%
Depreciation and amortization	**14,164**	**12.2%**	11,377	11.4%	24.5%
Professional service expense	**6,132**	**5.3%**	2,600	2.6%	135.8%
Listing expense	**3,199**	**2.8%**	2,780	2.7%	15.1%
Others	**7,656**	**6.5%**	8,370	8.4%	(8.5%)
Total operating expense	**116,141**	**100.0%**	100,190	100.0%	15.9%

2.7 Impairment Losses Charged

Impairment losses charged primarily reflect the credit risk fluctuation faced by the Group. In 2020, the expected credit impairment losses of the Group amounted to RMB44.5 million, representing a year-on-year increase of 60.1%, which was mainly due to the influence of the COVID-19 outbreak and the macroeconomic conditions. The Group took a prudent approach to assess the macroeconomic conditions in the future and to estimate the expected credit losses of interest-earning assets, and made appropriate upward adjustment to the parameters for measurement of expected credit losses in order to strengthen the Company's overall risk resistance capacity by increasing the asset impairment losses and further improving the asset quality of the Company.

The following table sets forth the Group's breakdown of impairment losses charged:

	For the year ended December 31,		
	2020	2019	**Changes**
	RMB'000	RMB'000	
Finance lease receivables	**44,724**	28,780	55.4%
Credit commitments[1]	**(257)**	(1,012)	(74.6%)
Impairment losses charged	**44,467**	27,768	60.1%

Note:

(1) Including finance leases of the Group that have been contracted, but not yet commenced.

2.8 Income Tax Expense

In 2020, the income tax expense of the Group was RMB54.0 million, representing an increase of RMB7.4 million or 15.9% over the previous year, mainly due to the increase of pre-tax profit. The effective tax rate of the Group in 2020 was 25.1%.

2.9 Profit for the Year

The net profit of the Group in 2020 was RMB161.5 million, representing an increase of RMB23.2 million, or a growth rate of 16.8% over the previous year. The increase in profit for the year was the combined effect of (i) the increase of 14.0% in the revenue, (ii) the increase of 5.4% in interest expense; (iii) the increase of 15.9% in operating expense; and (iv) the increase of 60.1% in impairment losses charged. For detail of the above changes, please refer to the discussion and analysis in paragraphs headed "2.2 Revenue, 2.3 Interest Expense, 2.6 Operating Expense and 2.7 Impairment Losses Charged" of this section.

In summary, under the pressure of the COVID-19 and economic downturn, the Group has been actively facing challenges, continuously and efficiently serving technology and new economic enterprises, and has realized the steady growth of financial leasing business and the overall stability of asset quality. In the future, with the extensive development of the Group, the further improvement of internal organizational efficiency and operation quality, the annual profit of the Group will maintain a steady and progressive trend.

2.10 Basic Earnings per Share

Basic earnings per share for 2020 amounted to RMB0.12, representing a decrease of RMB0.02 from the previous year, which was mainly due to the completion of the global offering of the Company in 2020 and the expansion of the scale of share capital.

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets (Overview)

As of December 31, 2020, the total assets of the Group increased by RMB1,176.1 million or 16.8%, to RMB8,165.1 million as compared with December 31, 2019. Finance lease receivables of the Group increased by RMB958.0 million or 14.9%, to RMB7,382.2 million as compared with December 31, 2019. In terms of the asset structure, cash and cash equivalents accounted for 5.1% of total assets, and financial leasing receivables accounted for 90.3% of total assets.

The following table sets forth the Group's breakdown of total assets:

	As of December 31, 2020		As of December 31, 2019		
	RMB'000	**% of total**	RMB'000	% of total	**Changes**
Finance lease receivables	**7,382,156**	**90.3%**	6,424,127	91.9%	14.9%
Pledged and restricted deposits	**137,830**	**1.7%**	41,564	0.6%	231.6%
Cash and cash equivalents	**413,273**	**5.1%**	252,106	3.6%	63.9%
Other assets	**71,380**	**0.9%**	138,284	2.0%	(48.4%)
Deferred tax assets	**53,224**	**0.7%**	43,621	0.6%	22.0%
Property and equipment	**13,037**	**0.2%**	22,348	0.3%	(41.7%)
Interest in associates	**72,328**	**0.9%**	49,515	0.7%	46.1%
Financial assets at fair value through other comprehensive income	**11,521**	**0.1%**	11,026	0.2%	4.5%
Intangible assets	**10,305**	**0.1%**	6,394	0.1%	61.2%
Total assets	**8,165,054**	**100.0%**	6,988,985	100.0%	16.8%

3.2 Finance Lease Receivables

The Group attracted 220 new customers and entered into 337 new contracts in 2020. Driven by the expansion of business scale, our financial leasing receivables continued to grow. As of December 31, 2020, the net amount of finance lease receivables of the Group amounted to RMB7,564.5 million, representing a year-on-year growth of 15.3%.

The following table sets forth the Group's breakdown of finance lease receivables:

	As of December 31, 2020 RMB'000	As of December 31, 2019 RMB'000	**Changes**
Gross amount of finance lease receivables	**8,197,267**	7,122,908	15.1%
Less: Unearned finance income	**(632,757)**	(561,151)	12.8%
Net amount of finance lease receivables	**7,564,510**	6,561,757	15.3%
Less: Allowances for impairment losses	**(182,354)**	(137,630)	32.5%
Carrying amount of finance lease receivables	**7,382,156**	6,424,127	14.9%

3.2.1 Industry Profile of Finance Lease Receivables

The following table sets forth the Group's breakdown of the net amount of finance lease receivables by industry:

	As of December 31, 2020		As of December 31, 2019		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Eco-solutions	**2,510,748**	**33.1%**	1,962,598	29.9%	27.9%
Life sciences & healthcare	**1,491,616**	**19.7%**	1,337,376	20.4%	11.5%
Intelligent manufacturing	**1,314,510**	**17.4%**	1,349,915	20.6%	(2.6%)
Big data	**921,443**	**12.2%**	958,502	14.6%	(3.9%)
Internet-based products & services	**1,146,238**	**15.2%**	747,898	11.4%	53.3%
Others	**179,955**	**2.4%**	205,468	3.1%	(12.4%)
Net amount of finance lease receivables	**7,564,510**	**100.0%**	6,561,757	100.0%	15.3%

In 2020, in the face of the market environment of the downturn in the macroeconomic situation, the Group carried out active asset management, adjusted the direction of asset investment based on the industry boom, and the net financial lease receivables made steady progress, of which the eco-solutions business division increased by RMB548.2 million, representing an increase of 27.9% and the internet-based products & services business division increased by RMB398.3 million, representing an increase of 53.3%.

3.2.2 *Finance Lease Receivables by Geographical Region*

The following table sets forth the Group's breakdown of the finance lease receivables by customers' geographical region:

	As of December 31, 2020		As of December 31, 2019		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Northern	**3,583,235**	**47.4%**	3,505,629	53.4%	2.2%
Eastern	**1,646,482**	**21.8%**	1,103,994	16.8%	49.1%
Central	**818,808**	**10.8%**	760,480	11.6%	7.7%
Southern	**514,983**	**6.8%**	472,661	7.2%	9.0%
Northwestern	**520,665**	**6.9%**	362,497	5.5%	43.6%
Southwestern	**245,675**	**3.2%**	194,960	3.0%	26.0%
Northeastern	**234,662**	**3.1%**	161,536	2.5%	45.3%
Net amount of finance lease receivables	**7,564,510**	**100.0%**	6,561,757	100.0%	15.3%

3.2.3 Maturity Profile of Finance Lease Receivables

The following table sets forth the Group's maturity analysis of the net amount of finance lease receivables:

	As of December 31, 2020		As of December 31, 2019		Changes
	RMB'000	% of total	RMB'000	% of total	
Maturity					
Not later than 1 year	**4,112,931**	**54.4%**	3,556,390	54.2%	15.6%
1 to 2 years	**2,244,571**	**29.7%**	2,039,792	31.1%	10.0%
2 to 3 years	**922,495**	**12.2%**	721,545	11.0%	27.8%
Over 3 years	**284,513**	**3.7%**	244,030	3.7%	16.6%
Net amount of finance lease receivables	**7,564,510**	**100.0%**	6,561,757	100.0%	15.3%

As of December 31, 2020, the finance lease receivables set out above, which shall mature in less than 1 year, represented 54.4% of the net amount of finance lease receivables. As the Group promoted balanced business development, it is expected that the cash flow from operation will remain stable in the future.

3.2.4 Asset Quality of Finance Lease Receivables

The Group has been closely monitoring the quality of leased assets and implemented five-level standard since 2013, which classifies finance lease receivables into five categories, namely (i) normal; (ii) special mention; (iii) sub-standard; (iv) doubtful; and (v) loss. The latter three with credit impairment are classified as non-performing assets.

Classification of Finance Lease Receivables

1. Normal. The lessee is able to perform and has been performing its obligations under the lease agreement, and we have no reason to doubt our ability to recover the full amount of the lease receivable. Lease payments related to finance lease receivables under this classification have always been on time or overdue for not more than 30 days.

2. Special mention. The lessee is able to perform and has been performing its obligations under the lease agreement. However, unfavorable factors may have a negative impact on our ability to recover all lease payments. Relevant factors involve changes in the macro environment, industrial policies, industrial environment, management capabilities of the lessee, credit status, the value of leased assets and lessees' willingness to pay.

3. Sub-standard. The lessee has demonstrated great difficulties in making full lease payments with its own operating income, and certain losses may still incur even if taking into account the guarantee or the quality of leased assets.

4. Doubtful. The lessee has demonstrated significant difficulties in making full lease payments, and significant losses on leased assets are very likely to incur even if taking into account the guarantee or the quality of leased assets.

5. Loss. After exhausting all necessary measures and legal remedies, we still cannot recover most of the lease receivable and interest income.

Leased Asset Management Measures

In 2020, in the face of the severe and complex domestic and foreign environment, especially the severe impact of the COVID-19, the Group strives for making steady progress. The Group actively responded to the challenges of the COVID-19 by innovating financial products and service methods and adhering to improving the asset process monitoring system and optimizing asset disposal resources, which secured and controlled the leased asset quality during the Reporting Period.

Continuously Innovating Financial Products and Services Methods

During the Reporting Period, the Group relied on key industrial clusters to create a scene ecology of differentiated services for customers to meet the diversified financial needs of new economy enterprises. We iteratively optimized the credit rating system and established a combined evaluation system of "assets + entities + debts" to implement asset portfolio management. The Group also conducted graded classification management of customers in order to strengthen support for high-quality customers such as core enterprises in the industrial chain and import high-quality assets.

Deepening the Agile Transformation and Continuing to Improve the Asset Process Monitoring System

During the Reporting Period, the Group established a management system of data asset to comprehensively promote the transformation of digital operations. To make asset monitoring more responsive, complete and accurate, the Group further strengthened governance and application of data. The Group also explored the use of Internet of Things technology to implement the real-time monitoring of key leased assets to improve the efficiency and effect of post-rental management through the real-time control of physical status and usage status of leased assets.

Optimizing Asset Disposal Resources and Accelerating the Clearance of Risk Assets

During the Reporting Period, the Group established a professional legal collection team to consolidate the judicial resource protection system and to expand the new ideas of assets disposal methods to broaden the disposal channels of non-performing assets. During the Reporting Period, the Company's ability to dispose of non-performing asset improved significantly.

The following table sets forth the Group's breakdown of the finance lease receivables by the five classifications:

	As of December 31, 2020		As of December 31, 2019		Changes
	RMB'000	% of total	RMB'000	% of total	
Normal	7,020,279	92.8%	6,074,976	92.6%	15.6%
Special Mention	432,506	5.7%	399,661	6.1%	8.2%
Sub-standard	52,209	0.7%	32,394	0.5%	61.2%
Doubtful	59,516	0.8%	54,726	0.8%	8.8%
Loss					
Net Amount of Finance Lease Receivables	7,564,510	100.0%	6,561,757	100.0%	15.4%
Non-performing Assets	111,725		87,120		
Non-performing Assets Ratio	1.5%		1.3%		

In 2020, the Group adhered to prudent risk management. With comprehensive set of risk monitoring and management, the Group continued to enhance the core competitiveness of servicing technology and new economy companies. Even under the downward pressure of macro-environment, the asset quality of the Group has improved, with the proportion of normal assets accounting for 92.8%. However, affected by the COVID-19, the balance of non-performing assets and non-performing assets ratio rose slightly compared with the beginning of the year.

As of December 31, 2020, the assets under special mention accounted for 5.7% of total net amount of finance lease receivables, representing a 0.4 percentage point decrease from 6.1% as of December 31, 2019. In particular, the assets under special mention in intelligent manufacturing industry accounted for 49.1% of total assets under special mention.

The following table sets forth the analysis on the Group's assets under special mention by industry:

	As of December 31, 2020		As of December 31, 2019	
	RMB'000	**% of total**	RMB'000	% of total
Big data	**108,098**	**25.0%**	84,002	21.0%
Eco-solutions	**68,739**	**15.9%**	116,060	29.0%
Life sciences & healthcare	**15,511**	**3.6%**	19,360	4.8%
Intelligent manufacturing	**212,388**	**49.1%**	149,345	37.5%
Internet-based products & services	**26,981**	**6.2%**	28,005	7.0%
Others	**789**	**0.2%**	2,889	0.7%
Total special mention	**432,506**	**100.0%**	399,661	100.0%

The assets under special mention in the intelligent manufacturing industry accounted for 49.1% of the total assets under special mention in 2020. Mainly due to the impact of the COVID-19, some customers have certain difficulties in resuming work and production. They were faced with problems such as insufficient resumption of workers, limited logistics, and insufficient supply of raw materials, causing some customers to experience periodical operating pressures. The Group prudently adjusted more assets in this industry to assets under special mention.

The assets under special mention in the big data industry accounted for 25.0% of the total assets under special mention in 2020. Mainly due to the fact that big data has become a national strategy, the introduction of Internet giants and traditional IT vendors has accelerated their entry to compete for market leadership. At the same time, open-source technology has gradually lowered the threshold for companies to enter the big data field, leading to increasingly fierce competition in the big data industry, and some customers faced certain challenges in services and business upgrading. The Group prudently adjusted more assets in this industry to assets under special mention.

The assets under special mention in the eco-solution industry accounted for 15.9% of the total assets under special mention in 2020. This was mainly allocated in in the field of environmental protection energy. Benefiting from the improvement in funding, the balance of the assets under special mention in the eco-solution industry has dropped significantly. However, considering the impact of multiple factors such as strong supervision of the environmental protection industry and rising labor costs caused by the COVID-19, some customers still have certain operating pressures. The Group prudently adjusted some assets in this industry to assets under special mention.

The following table sets forth the analysis on the Group's non-performing assets by industry:

	As of December 31, 2020		As of December 31, 2019	
	RMB'000	**% of total**	RMB'000	% of total
Big data	**40,810**	**36.5%**	38,864	44.6%
Eco-solutions	**40,910**	**36.6%**	22,378	25.7%
Life sciences & healthcare	**3,686**	**3.3%**	2,207	2.5%
Intelligent manufacturing	**5,884**	**5.3%**	937	1.1%
Internet-based products & services	**16,403**	**14.7%**	16,553	19.0%
Others	**4,032**	**3.6%**	6,180	7.1%
Total non-performing assets	**111,725**	**100.0%**	87,120	100.0%

The non-performing assets in the eco-solution industry accounted for 36.6% of the total non-performing assets in 2020. This was mainly caused by downward shift in the macroeconomic environment, the downstream demand of individual investment-driven customers has shrunk, resulting in tight cash flow and operational difficulties. The Group prudently classified the assets of this industry to the non-performing assets.

The non-performing assets in the big data industry accounted for 36.5% of the total non-performing assets in 2020, which was mainly distributed in communication infrastructure and Internet operation services sector. Due to the deeper restructuring of technology and policies in this sector, competition pattern had been reshaped. Some customers experienced difficulties in operation. The Group prudently classified the assets of this industry to the non-performing assets.

The non-performing assets in the internet-based products & services accounted for 14.7% of the total non-performing assets in 2020. Mainly due to the performance of individual customers heavily dependent on offline consumption scenarios, production and operations were facing stagnation affected by the COVID-19. The Group prudently classified the assets of this industry to the non-performing assets.

3.2.5 Impairment and Allowances for Finance Lease Receivables

The Group adopts new accounting standards for financial instruments and applies the expected credit loss ("**ECL**") model under the new standards. The allowances for interest-earning assets of the Group increased by RMB44.8 million from RMB137.6 million as of December 31, 2019 to RMB182.4 million as of December 31, 2020.

The following table sets forth the Group's summary of allowance for finance lease receivables:

	December 31, 2020		December 31, 2019	
	RMB'000	% of total	RMB'000	% of total
Allowances for non-performing assets	70,576	38.7%	58,103	42.2%
Allowances for assets under normal and special mention categories	111,778	61.3%	79,527	57.8%
Total allowance for finance lease receivables	182,354	100.0%	137,630	100.0%
Non-performing assets	111,725		87,120	
Ratio of allowances for impairment losses to finance lease receivables	163.2%		158.0%	

As of December 31, 2020, ratio of allowances for impairment losses to finance lease receivables of the Group was 163.2%, which was 5.2 percentage point higher than that as of December 31, 2019. The management of the Group believes that prudent risk management policy is crucial to the sustainable growth of the Company, and therefore the Group strives to maintain a stable ratio of allowances for impairment losses to finance lease receivables.

The following table sets forth the breakdown of allowances measured based on ECL of the Group:

	Stage 1	Stage 2	Stage 3	
		Lifetime ECL		
	12-month ECL balance	Not credit-impaired	Credit-impaired	Total
	RMB'000	RMB'000	RMB'000	RMB'000
December 31, 2020				
ECL rate%	**0.5%**	**4.3%**	**32.1%**	**2.4%**
Net amount of finance lease receivables	**7,067,972**	**46,180**	**450,358**	**7,564,510**
Allowance for impairment loss	**(35,826)**	**(1,989)**	**(144,539)**	**(182,354)**
Net value of accounts receivable	**7,032,146**	**44,191**	**305,819**	**7,382,156**
December 31, 2019				
ECL rate%	0.4%	3.2%	26.6%	2.1%
Net amount of finance lease receivables	6,074,976	74,616	412,165	6,561,757
Allowance for impairment loss	(25,391)	(2,422)	(109,817)	(137,630)
Net value of accounts receivable	6,049,585	72,194	302,348	6,424,127

The Group has been closely monitoring the credit quality of finance lease receivables by monitoring their ECL. As of December 31, 2020, ECL rate of financial lease receivables of the Group in stage one, stage two and stage three was 0.5%, 4.3% and 32.1%, respectively, representing an increase of 0.1 percentage point, 1.1 percentage points and 5.5 percentage points, respectively, as compared to the end of last year. The Group has taken a prudent approach to make appropriate upward adjustment to the parameters for measurement of ECL in order to enhance the ratio of allowances to total loans and systematically strengthen the risk resistance capacity of its assets.

3.3 Others

As of December 31, 2020, cash and cash equivalents of the Group amounted to RMB413.3 million. The Group retained adequate cash to support business expansion and ensured its liquidity and safety. Pledged and restricted deposit amounted to RMB137.8 million, primarily comprising deposits for bank acceptances, factorings and asset-backed securities.

As of December 31, 2020, other assets of the Group amounted to RMB71.4 million, mainly including advance payments of equipment and deductible value-added tax.

As of December 31, 2020, deferred tax assets of the Group amounted to RMB53.2 million, mainly including the deferred income tax provided for the temporary difference between accounting and taxation.

As of December 31, 2020, property and equipment of the Group amounted to RMB13.0 million, mainly including right-of-use assets, office equipment and computers for our employees.

As of December 31, 2020, interest in associates of the Group amounted to RMB72.3 million, which was long-term equity investment in Beijing Zhongnuo and Jiangsu Zhongnuo.

As of December 31, 2020, financial assets at fair value through other comprehensive income of the Group amounted to RMB11.5 million, which was the strategic investment in Beijing Zhongguancun Synergetic Innovation Investment Fund Management Co., Ltd.

As of December 31, 2020, intangible assets of the Group amounted to RMB10.3 million, mainly including internal developed software and digital systems used in business operations and risk management functions.

3.4 Liabilities (Overview)

As of December 31, 2020, the total liabilities of the Group amounted to RMB6,249.2 million, representing an increase of RMB652.5 million or a growth rate of 11.7% as compared to December 31, 2019. Borrowings were the main component of the liabilities, accounting for 66.5%, representing a decrease in leverage as compared to 74.3% as of December 31, 2019.

The following table sets forth the Group's liability analysis:

	As of December 31, 2020		As of December 31, 2019		Changes
	RMB'000	% of total	RMB'000	% of total	
Borrowings	4,153,046	66.5%	4,158,382	74.3%	(0.1%)
Trade and other liabilities	2,069,874	33.1%	1,423,853	25.4%	45.4%
Income tax payable	26,319	0.4%	14,494	0.3%	81.6%
Total liabilities	6,249,239	100.0%	5,596,729	100.0%	11.7%

3.5 Borrowings

In 2020, the COVID-19 has brought a serious impact on the world economy. In response to the economic recessionary pressure brought about by the epidemic, all economies around the world have actively implemented loose monetary policies, stimulating economic recovery through measures such as drastically lowering interest rates.

In respect of the domestic monetary policies, the People's Bank of China maintained prudent monetary policies with more flexibility and moderation, adopted flexible monetary policy tools to stabilize market liquidity, guide the decline of funding cost of real economy, and support enterprises to resume work and economic recovery. With the effective prevention and control of the epidemic and the steady recovery of the economy, future monetary policies are expected to remain prudent with more flexibility and moderation as well as strengthening counter-cyclical adjustments, to focus on supporting enterprises in key areas such as technological innovation and green development and enhance the ability of banks and other financial institutions to serve the real economy.

The Group has been committed to serving technology and new economy companies in China and established long-term and stable relationship in both direct and indirect financing markets.

As of December 31, 2020, borrowings of the Group amounted to RMB4,153.0 million, representing a decrease of RMB5.3 million as compared to December 31, 2019.

With respect to direct financing market, the Group had launched five asset-backed securities programs that worth RMB3.39 billion (including the asset-backed securities held by ourselves), as of December 31, 2020 and actively prepared for the issuance of diversified financing products, such as debt financing vehicles and asset-backed commercial paper.

With respect to indirect financing market, the Group has established long-term and stable credit facility cooperative relationship with over 20 commercial banks, planning to develop multi-dimensional marketing strategies in the future to integrate, optimize and upgrade existing cooperation channels, and further strengthen strategic cooperative relationship. Meanwhile, the Group will continue to expand and perfect the channels of diversified financing, including small and medium banks and foreign banks.

In conclusion, the Group has established and will continue to improve its solid relationships with diverse funding sources. In the future, leveraging on our favorable business performance and growth potential, the Group believes our credit rating will gradually upgrade and competitiveness on funding cost will be further improved.

The following table sets forth the Group's breakdown of borrowings by funding sources:

	As of December 31, 2020		As of December 31, 2019		Changes
	RMB'000	% of total	RMB'000	% of total	
Bank loans	**2,335,002**	**56.2%**	1,884,132	45.3%	23.9%
– pledged	**1,394,087**	**33.5%**	1,272,332	30.6%	9.6%
– unsecured	**940,915**	**22.7%**	611,800	14.7%	53.8%
Borrowings from related parties[1]					
– pledged	**800,000**	**19.3%**	1,200,000	28.9%	(33.3%)
Asset-backed securities	**1,018,044**	**24.5%**	1,074,250	25.8%	(5.2%)
Total borrowings	**4,153,046**	**100.0%**	4,158,382	100.00%	(0.1%)

Note:

(1) Refer to pledged loans from the ZGC Group and its subsidiaries.

As of December 31, 2020, the outstanding balance of bank loans was RMB2,335.0 million, accounting for 56.2% of the total borrowings, which was slightly higher as compared to December 31, 2019. The proportion of the balance of borrowings from related parties accounted for 19.3% of the total borrowings, which was slightly lower as compared to December 31, 2019; and the balance of asset-backed securities accounted for 24.5% of the total borrowings, basically the same compared with December 31, 2019. To further expand our funding sources, the Group plans to actively explore financing products such as asset-backed securities and super short-term commercial paper.

	As of December 31, 2020		As of December 31, 2019		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Current	**3,068,052**	**73.9%**	2,649,676	63.7%	15.8%
Non-current	**1,084,994**	**26.1%**	1,508,706	36.3%	(28.1%)
Total borrowings	**4,153,046**	**100.0%**	4,158,382	100.00%	(0.1%)

As of December 31, 2020, the current proportion of borrowings (including short-term borrowings and portions that are due within one year in long-term borrowings) accounted for 73.9% of total borrowings, representing an increase of 15.8% as compared to December 31, 2019. The Group maintained a sound and reasonable funding structure.

3.6 Trade and Other Liabilities

Trade and other liabilities of the Group primarily includes guaranteed deposits from lessees, value-added taxes to be collected in the following period, accounts payables and notes payables, and lease liabilities.

Trade and other liabilities of the Group increased from RMB1,423.9 million as of December 31, 2019 to RMB2,069.9 million as of December 31, 2020, representing a year-on-year growth of 45.4%. This increase was primarily due to the increase in the balance of financial lease receivables and the increase of guaranteed deposits from lessees.

3.7 Capital and Reserves

As of December 31, 2020, total equity attributable to equity shareholders of the Group was RMB1,915.8 million, representing an increase of RMB523.6 million or a year-on-year growth of 37.6% from that as of December 31, 2019.

The following table sets forth the Group's details of total equity:

	As of December 31, 2020		As of December 31, 2019		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Share capital	**1,333,334**	**69.6%**	1,000,000	71.8%	33.3%
Reserves	**582,481**	**30.4%**	392,256	28.2%	48.5%
Total equity	**1,915,815**	**100.0%**	1,392,256	100.0%	37.6%

4. CAPITAL EXPENDITURES

The capital expenditure of the Group was RMB34.6 million in 2020, primarily including expenditures for equity investments, upgrading information system regarding business operations and risk management, and purchase of office and electronic equipment.

5. RISK MANAGEMENT

The Group has established a set of prudent and efficient and innovative risk management structure designed to balance the risks with benefits generated in the process of serving technology and new economy companies. While driving the growth of technology and new economy companies in the PRC with continued efforts, the Group achieved its maximum value.

The Group has been exposed to various operational risks, primarily including credit risks, interest rate risks and liquidity risks.

5.1 Credit Risks

Credit risks arise from our customers' failure to perform their payment obligations under the lease agreements or material and adverse changes in their creditworthiness. Credit risks are one of the major risks we are exposed to and may negatively impact our revenues, cash flow, and book value of leased asset. To manage and control the amount of credit risks to which we are exposed, we have established and will keep updating the specialized and streamlined credit risk management policies and procedures.

Strict Industry Customer Access

It is our consistent strategy to keep the industry and customers in check from the customer access link, which is also the first step of credit risk control. Our five business departments conduct follow-up research on their respective technology and new economy industries, and select subdivisions oriented to cutting-edge technology, future industries and new economy for business expansion among the fields in line with the government's industry policy guidance. We conduct quantitative evaluation on the risks of specific customers, and strive to reduce the credit risk exposure of new customers through prudent selection of leased property and design of financial leasing solutions. At the same time, we focus on ensuring the quality of financial leasing receivables and reducing the possibility of impairment or loss.

Comprehensive Due Diligence System

We have established a comprehensive due diligence system with a mature management mechanism in terms of investigation means, methods, content and procedures. For investigation methods, we use big data, internet and other technologies together with traditional due diligence techniques to screen the lessee's pre-lease risk record; for investigation methods, we integrate remote and on-site due diligence to enrich the forms and improve the efficiency of due diligence; regarding investigation content and procedures, we use a combination of standardized due diligence list and personalized due diligence content, in order to comprehensively investigate the leased property, the management team of the lessee, the business model, the operation status, the financial performance, the purpose of financing, the credit status, etc., and form targeted reports such as the business due diligence report, the lease audit report, the risk audit report, etc., disclosing the asset credit and the main credit status of the lessee from an all-round perspective, providing support for the project decision-making.

Scientific Credit Evaluation System

While strengthening risk management and control, in order to better realize our business potentials, we have optimized and upgraded the original rating model of "subject growth + debt security". Based on the business characteristics of "technology + leasing", we put forward the innovative three-dimensional evaluation system of "asset credit + subject credit + debt security". According to the features of different products, the asset credit rating model evaluates from the aspects of income generation, value preservation, controllability and liquidity, strengthens the management of asset risk, and mainly evaluates the guarantee level of the lease to the financial claim; according to the characteristics of innovative enterprises in different development stages, the main credit rating model sets up three sub models: revenue-market value model, revenue-growth model and revenue-profit model. The system evaluates the management ability, industry environment, product quality, market position, business model, operation quality and other dimensions respectively, and lists the major potential risks of innovative enterprises individually; using investment banks' way of thinking, it taps deep into customer value and growth potential. The debt safety rating model, returning to the nature of leasing, focuses on evaluating the security degree of debt by analyzing asset credit, subject credit, credit enhancement measures evaluation results. The optimized rating system reshapes the current internal rating system, continuously improves the model's scientific and refined risk description ability, and provides technical support for project decision-making.

Prudent Project Approval Decision

Our project approval has gained three important experiences. First, three-person decision-making mechanism. In choosing customers, starting projects and conducting due diligence, decisions should be made jointly by three persons from relevant teams to ensure the decisions are fair and scientific. Second, professional review managers and committee members. Each review manager identifies their specific industry subdivision. The review committee of each project is composed of five members, whose seats are chairman, industry review member, financial review member, legal review member and comprehensive review member. In order to improve the efficiency of review and decision-making, a three person review meeting was added this year. For projects with a single lease principal amount of RMB15 million or less and a cumulative lease principal balance of less than RMB30 million (including), in principle, the project review department arranges the on-duty director and two professional review committee members from other departments to participate in the decision-making of the project review committee. Third, the project review meeting is open for all staff members to attend, which is conducive to ensuring the fairness and justice of the project review and improving the project review ability of all staff members.

Complete Post-Lease Management System

Our post-lease management system covers four aspects: lease management, customer operation monitoring, lease asset classification and non-performing asset disposal. We formulated the basic standards for the acceptance of leased property, registered the leased property at the Administration for Industry and Commerce, labeled the leased property, require customers to purchase the insurance of the leased property with our company as the beneficiary, and check the operation status of the leased property in real time. We take a combination of on-site and off-site inspection to monitor the operation of customers in real time. Once a risk signal is identified, investigation will be started immediately and suggestions on handling the case will be issued. We pay close attention to the quality of leased assets, classify the leased assets on a regular basis into five categories: normal, concerned, secondary, suspicious and loss, and take timely measures to deal with deteriorated assets. For claimed project, we take relevant measure as soon as possible, including taking legal proceedings, detaining the lease and selling the lease to resolve the risk. Attributed to our long-term professional development and accumulation, we are able quickly dispose of the lease at a reasonable price in the existing customer network.

5.2 Interest Rate Risk

The Group's interest rate risk arises from the mismatch between the maturity date of interest-earning assets and interest-bearing liabilities and the contract repricing date. The risk of changes in the cash flow of financial instruments caused by the Group's interest rate changes is mainly related to financial lease. The Group adopts the following measures to manage its interest rate risk:

- Optimizing the time difference between the maturity dates of interest-earning assets and interest-bearing liabilities and the contract repricing date; and

- Managing the difference between the pricing of interest-earning assets and interest-bearing liabilities and the benchmark interest rate of the People's Bank of China.

The following table illustrates the potential impact of reasonable changes in interest rates on the Group's retained profits based on the structure of financial assets and financial liabilities as at the balance sheet dates, assuming that all other variables remain constant.

	Increase/decrease in Retained Profits	
	As of December 31, 2020	As of December 31, 2019
	RMB'000	RMB'000
CHANGES IN BASIS POINTS		
+100 BASIS POINTS	**8,426**	6,099
–100 BASIS POINTS	**(8,426)**	(6,099)

5.3 Liquidity Risk

Liquidity risk refers to our potential failure to secure sufficient funding at reasonable costs, leading to our failure to satisfy our various payment obligations and to support our business operations and expansions.

In terms of liquidity risk management, the Group held cash and equivalents that the senior management considered sufficient and implemented comprehensive policies and process monitoring to meet our operating and sustainable development needs. Our Group management supervised the use of financing and ensured compliance with corresponding financing agreements.

In 2020, the liquidity position of the Group has been sound. By assessing and monitoring the liquidity situation, the Group allocated financial assets and financial liabilities as a whole to improve its ability to ensure liquidity at a reasonable cost in a timely manner.

The following table sets forth the Group's remaining contractual maturities as of the dates indicated of the financial assets and financial liabilities based on contractual undiscounted cash flows of the Group and the earliest date the Group may be required to pay.

	Overdue/ on demand	Within 1 month	Within 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As of December 31, 2020							
Total financial assets	**811,105**	**297,313**	**832,185**	**3,143,344**	**3,682,724**	**–**	**8,766,671**
Total financial liabilities	**8,736**	**203,124**	**780,004**	**3,359,756**	**1,860,784**	**–**	**6,212,404**
Net liquidity gap	**802,369**	**94,189**	**52,181**	**(216,412)**	**1,821,940**	**–**	**2,554,267**
As of December 31, 2019							
Total financial assets	617,271	258,225	713,042	2,640,341	3,207,465	–	7,436,344
Total financial liabilities	83,039	185,630	512,930	2,539,391	2,293,678	–	5,614,668
Net liquidity gap	534,232	72,595	200,112	100,950	913,787	–	1,821,676

5.4 Foreign Currency Risk

The functional currency of the Group is RMB. The majority of the Group's revenue and expenditures are denominated in RMB. The Group currently does not have any foreign currency hedging policies. The management will continue to monitor the Group's foreign exchange risk exposure and consider adopting prudent measures as appropriate.

6. PLEDGE OF GROUP ASSETS

As of December 31, 2020, the Group held finance receivables of RMB3,036.4 million pledged to secure borrowings, and cash of RMB137.8 million pledged for bank acceptances, factorings and asset-backed securities.

The following table sets forth the Group's breakdown of pledge assets:

	As of December 31, 2020 RMB' 000	As of December 31, 2019 RMB'000
Pledged finance lease receivables		
For factorings	**676,928**	623,304
For loan borrowings	**1,361,192**	1,864,590
For asset-backed securities	**998,277**	1,094,836
Restricted bank deposits	**137,830**	41,564
Total pledged assets	**3,174,226**	3,624,294

7. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group has made an additional equity investment of RMB24.5 million in the joint venture, Jiangsu Zhongnuo, during the year ended December 31, 2020.

Save as disclosed in this annual report, there were no significant investments, material acquisitions or disposals of subsidiaries, associated companies and joint ventures by the Group during the year ended December 31, 2020. And the Group did not have other specific plans for material investments and capital assets in coming year.

8. HUMAN RESOURCES

8.1 Staff and Remuneration

As of December 31, 2020, the Group had a total of 120 employees (December 31, 2019: 110), with approximately 99.2% of our staff holding bachelor's degrees or above, and approximately 63.3% holding master's degrees or above (43 employees obtained bachelor's degrees; and 76 employees obtained master's degrees). Approximately 10.8% (13 employees) have intermediate professional titles or above; and approximately 5.8% (7 employees) have associate senior professional titles or above.

The Group's employees are generally stable with a high retention rate. In addition to the normal flow of people, approximately 32.5% of our staff (39 employees) have been worked for the Group for over five years. We did not experience any material labor disputes during the year ended December 31, 2020.

During the year ended December 31, 2020, the staff costs amounted to approximately RMB67.7 million (December 31, 2019: approximately RMB64.1 million).

8.2 Incentive Schemes

We have established and implemented flexible and efficient employee incentive schemes to correlate the remuneration of our employees with their overall performance and contribution to the Group and have established a performance-based remuneration awards system that combines their performance and accomplishment of work targets. Employees of the Group are promoted in terms of positions, seniority, overall performance, as well as professional and administrative classification, with a clear career path. We implement comprehensive performance evaluations and well-directed training programs for all staff every year, in accordance with our business objective obligations and achievement of key objectives. The Company was approved by shareholders on December 23, 2020 to adopt the share appreciation rights incentive plan and grant scheme and the scheme for grant under the share appreciation rights incentive plan. For details, please refer to the circular of the Company dated December 2, 2020 and the announcement of the Company dated December 23, 2020. During the year ended December 31, 2020, the Group did not adopt any share option scheme.

8.3 Employee Benefits

In accordance with applicable PRC regulations, we have made contributions to social security insurance funds (including pension plans, medical insurance, work-related injury insurance, unemployment insurance and maternity insurance) and housing funds for our employees. We also provided supplemental commercial medical insurance and accident insurance in addition to those required under the PRC regulations.

8.4 Employee Training

The Group valued staff training and established a preliminary training system based on job competency. The Group organized various training sessions on general management, operating management and professional skills, covering employees of all levels from front-line staff to senior management. The Group also implemented the plan for the cultivation of cadres and young talents.

9. CONTINGENT LIABILITIES AND CAPITAL COMMITMENTS

9.1 Contingent Liabilities

As of December 31, 2020, the Group did not have material contingent liabilities.

9.2 Capital Commitments and Credit Commitments

The following table sets forth capital commitments and non-cancellable credit commitments of the Group:

	As of December 31, 2020 RMB'000	As of December 31, 2019 RMB'000
Credit commitments[(1)]	**38,117**	60,810
Capital commitments[(2)]	**27,620**	52,120

Notes:

(1) The Group's non-cancellable credit commitments are primarily finance leases that have been contracted, but not yet commenced.

(2) As of December 31, 2020, the unpaid capital commitment to Beijing Zhongnuo and Jiangsu Zhongnuo was RMB3.1 million and RMB24.5 million, respectively.

10. USE OF NET PROCEEDS FROM THE GLOBAL OFFERING

The Company issued 333,334,000 H Shares at the issue price of HK$1.52 per H share in connection with the global offering.

H Shares were listed on the Stock Exchange since January 21, 2020 (the "**Listing Date**"). The Company received net proceeds from the global offering (after deduction of underwriting commission and related costs and expenses) of approximately RMB405.8 million.

We proposed to gradually utilize the net proceeds from the global offering in the following manner as disclosed in the prospectus of the Company dated December 31, 2019 (the "**Prospectus**"):

- Approximately 70% of the net proceeds, or RMB284.0 million, will be used to expand our business operations;

- Approximately 10% of the net proceeds, or RMB40.6 million, will be used to improve our information systems;

- Approximately 10% of the net proceeds, or RMB40.6 million, will be used to recruit more talented specialized personnel with valuable experience, knowledge and skillsets; and

- Approximately 10% of the net proceeds, or RMB40.6 million, will be used to replenish our working capital.

The table below sets forth a detailed breakdown and description of the use of net proceeds from the global offering:

Use of proceeds	Amounts expected to be utilized as disclosed in the Prospectus (RMB in million)	Utilized amount (RMB in million)	Unutilized amount (RMB in million)	Expected time of use
Expand our business operations	284.0	284.0	–	N/A
Improve our information systems	40.6	7.4	33.2	To be gradually used until 2023
Recruit talents	40.6	13.7	26.9	To be gradually used until 2022
Replenish working capital	40.6	40.6	–	N/A

11. BUSINESS OUTLOOK

In the next five years, the Group will catch the market opportunity of high-speed development of science and technology and new economy industries, follow the development direction of becoming "specialized, investment bank type and digital" and actively innovate leasing products and business models to form "leasing +" comprehensive financial solutions, to become a science and technology innovation ecology financial service provider with a global impact. In 2021, the Group will focus on promoting the establishment of new or merger subsidiaries, establishing phase II funds, digital transformation, exploring setting up asset management companies, and introducing strategic investors.

Corporate Governance Report

1. CORPORATE GOVERNANCE PRACTICE

The H Shares were listed on the Stock Exchange since January 21, 2020. Since the Listing Date, the Company has adopted the CG Code as contained in Appendix 14 to the Listing Rules as its own code of corporate governance. The Company has committed to maintaining high standards of corporate governance in order to safeguard the interests of the Shareholders and enhance the corporate value and accountability of the Company.

To the best knowledge of the Directors, during the period from the Listing Date and up to the end of the Reporting Period, the Company has continuously complied with all applicable code provisions set out in the CG Code. The Board will continue to review and improve the Company's corporate governance practice to ensure its compliance with the CG Code.

2. THE BOARD

2.1 Duties and Division of Responsibility

The Board shall be accountable to the general meeting and perform the following duties and powers as conferred by the Articles of Association:

(I) to convene the general meeting and report its performance at the general meetings;

(II) to implement resolutions adopted at the general meetings;

(III) to make decisions on the Company's business plans and investment plans;

(IV) to formulate the Company's annual financial budgets and annual final accounting plans;

(V) to formulate the Company's profit distribution plans and loss recovery plans;

(VI) to formulate the proposals on the increase or reduction of the Company's registered capital and the proposals on the issuance of corporate bonds or other securities and listing plans;

(VII) to formulate the plans for merger, division, dissolution and other changes in corporate form of the Company;

(VIII) to determine the establishment of internal management departments of the Company;

(IX) to appoint or dismiss the general manager and the board secretary of the Company, and to appoint or dismiss other senior management members of the Company as nominated by the general manager and to determine their remunerations;

(X) to formulate the basic management system of the Company;

(XI) to formulate the proposals for any amendment to the Articles of Association;

(XII) to propose the engagement or replacement of accounting firm which undertakes the audit business of the Company to the general meeting;

(XIII) to determine the external guarantee matter of the Company other than those to be considered by the general meeting;

(XIV) to determine the purchase or sale of major assets of the Company within one year, or the amount of guarantee, which does not exceed 30% of the most recently audited total assets of the Company;

(XV) to approve the connected transaction which shall be approved by the Board in accordance with the requirements of the laws, administrative regulations, the listing rules of the stock exchange on which the shares of the Company are listed and the Articles of Association; and

(XVI) other duties and powers granted by the requirements of the laws, regulations, the listing rules of the stock exchange on which the shares of the Company are listed and the general meeting.

The Board has delegated the authority and responsibility of day-to-day management and operation of the Group to the senior management of the Company.

To oversee particular aspects of the Company's affairs, the Board has established four Board committees, including the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Control Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference. The terms of reference of each of the Board Committees are published on the websites of the Stock Exchange and the Company.

All Directors shall ensure that they carry out duties in good faith, in compliance with the applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

2.2 Chairman of the Board and General Manager

In accordance with code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The Company does not have the position of chief executive officer, the duties of which are performed by the general manager of the Company. The chairman of the Board and the general manager of the Company are Mr. DUAN Hongwei, a non-executive Director, and Mr. HE Rongfeng, an executive Director, respectively.

In accordance with the Articles of Association, the chairman of the Board shall perform the following duties and powers:

(I) to preside over the general meetings, and to convene and preside over Board meetings;

(II) to inspect the implementation of the resolutions of the Board;

(III) to sign the securities issued by the Company;

(IV) to sign the legally binding and important documents with external parties on behalf of the Company; and

(V) other duties and powers granted by the Board.

If the chairman of the Board is unable to perform his or her duties and powers, a Director elected jointly by half or more of the Directors shall perform the chairman of the Board's duties and powers on his or her behalf.

The Company shall have one general manager, who shall be appointed or dismissed by the Board. In accordance with the Articles of Association, the general manager of the Company shall be accountable to the Board and may exercise the following powers:

(I) to be in charge of the management of production and operation of the Company and to organize the implementation of the resolutions of the Board;

(II) to organize the implementation of the annual business plans and investment plans of the Company;

(III) to draft proposals for the establishment of internal management bodies of the Company;

(IV) to draft the basis management system of the Company;

(V) to formulate the basic rules and regulations of the Company;

(VI) to propose the appointment or dismissal of the deputy general manager, head of finance team and head of risk management team of the Company;

(VII) to appoint or dismiss the management personnel other than those required to be appointed or dismissed by the Board; and

(VIII) other duties and powers granted by the Articles of Association and the Board.

There is a clear division of responsibilities between the chairman of the Board and the general manager of the Company, which provides a balance of power and authority, according to the Articles of Association.

2.3 Composition of the Board

As at the date of this annual report, the Board consisted of eight Directors, including two executive Directors namely, Mr. HE Rongfeng (general manager) and Mr. HUANG Wen, three non-executive Directors namely, Mr. DUAN Hongwei (chairman of the Board), Mr. LOU Yixiang and Mr. ZHANG Shuqing, and three independent non-executive Directors namely, Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen. The term of appointment of each of the Directors (including non-executive Directors and independent non-executive Directors) is three years commencing from the date when their respective appointments are approved by the Shareholders.

The Board has complied with the requirement of Rules 3.10(1) and 3.10(2) of the Listing Rules to have not less than three independent non-executive directors, including at least an independent non-executive director who has the relevant professional qualification or accounting or related financial management expertise. In accordance with Rule 3.10A of the Listing Rules, at least one-third of the Directors shall be independent non-executive directors. Currently, the Company has three independent non-executive Directors, representing one-third of the total number of directors and is in compliance with the relevant requirement.

The Company has received from each of independent non-executive Directors a confirmation of his/her independence according to Rule 3.13 of the Listing Rules during the period from the Listing Date and up to the end of the Reporting Period. Based on the contents of such confirmations, the Company considered that all independent non-executive Directors are independent and they have met the specific independence guidelines in accordance with Rule 3.13 of the Listing Rules.

To the best knowledge of the Directors, there is no financial, business, family or other relationship between the Directors, the Supervisors, the chairman of the Board, the general manager and the senior management of the Company.

2.4 Corporate Governance Functions

The Board delegated to the Audit Committee to perform the corporate governance duties set out in the code provision D.3.1 of the CG Code, as below:

- formulating and reviewing the corporate governance policies and practices of the Company, and making recommendations to the Board;
- reviewing and monitoring the training and continuous professional development of the directors and the senior management;
- reviewing and monitoring the Company's policies and practices on compliance with laws and regulatory requirements;
- formulating, reviewing and monitoring the code of conduct and compliance manual applicable to employees and the directors (if any); and
- reviewing the Company's compliance with the CG Code and disclosures in the Corporate Governance Report.

The Board and the Audit Committee have performed the aforesaid corporate governance duties during the period from the Listing Date and up to the end of the Reporting Period.

3. BOARD MEETINGS

In accordance with the Articles of Association, Board meetings shall be convened at least four times a year, and it shall be convened by the chairman of the Board. Notice of Board meetings and extraordinary Board meetings shall be delivered in person, by facsimile, by express delivery service, by registered mail, by electronic mail or paperless office system. The time limit for the delivery of such notices shall be at least fourteen days before the date of a regular Board meeting and at least three days before the date of an extraordinary Board meeting. Where an extraordinary Board meeting needs to be convened in emergency, the notice of meeting may be delivered by telephone or by other verbal means, but the convener shall make explanations at the meeting.

The Board agenda for each meeting is approved by the chairman of the Board following consultation with other Board members and senior management of the Company. In addition, in order to facilitate open discussion with all independent non-executive Directors, the Chairman will meet with the independent non-executive Directors, in the absence of other Directors, at least once annually before a regular Board meeting.

Board meetings are structured so as to encourage open discussion, frank debate and active participation by Directors in meetings. Board decisions are made by vote at Board meetings and supplemented by the circulation of written resolutions between Board meetings.

A typical Board meeting would consist of:

- the presentation of papers to support decisions requiring Board approval;
- a report by the chairman of each Board Committee on matters arising since the last Board meeting;
- a management report by the general manager providing an update on the results since the last Board meeting and an explanation of changes in the business environment and their impact on budgets and the longer-term plan; and
- any declarations of interest.

Details of the attendance of Directors in the meetings of the Board, the Board Committees and general meetings during the Reporting Period are as follows:

	Attendance/Number of Meetings						
Name of Director	Board	Audit Committee	Remuneration Committee	Nomination Committee	Risk Control Committee	Annual General Meeting	General Meetings
Mr. DUAN Hongwei	8/8	N/A	1/1	1/1	N/A	1/1	3/3
Mr. LOU Yixiang	7/8	1/2	N/A	N/A	N/A	1/1	3/3
Mr. ZHANG Shuqing	8/8	N/A	N/A	N/A	1/1	1/1	3/3
Mr. LI Peng(Note)	8/8	2/2	N/A	N/A	N/A	1/1	3/3
Mr. HE Rongfeng	8/8	N/A	1/1	1/1	N/A	1/1	3/3
Mr. HUANG Wen	8/8	N/A	N/A	N/A	1/1	1/1	3/3
Mr. CHENG Dongyue	6/8	1/2	1/1	1/1	1/1	1/1	3/3
Mr. Wu Tak Lung	8/8	2/2	1/1	1/1	1/1	1/1	3/3
Ms. LIN Zhen	8/8	2/2	1/1	1/1	1/1	1/1	3/3

Note: Mr. LI Peng resigned as a non-executive Director and a member of the Audit Commitee with effect from March 19, 2021.

4. ELECTION OF DIRECTORS

In accordance with the Articles of Association, Directors shall be elected by general meeting, for a term of three years. A Director may be re-elected upon expiry of his/her term of office. Before a Director's term of office expires, the general meeting shall not dismiss him/her from his/her position without due cause. The term of office of a Director shall commence from the date on which he/she takes his/her position to the expiration of the session of the Board he/she serves. Where re-election is not carried out promptly after a Director's term of office expires, the existing Director shall continue to perform the duties owed by a director subject to the laws, administrative regulations, departmental rules and the Article of Association before a new Director is elected to take up the office. No proposal for re-election of Directors will be considered at the forthcoming annual general meeting of the Company.

The Company has implemented a set of effective procedures for appointment of new Directors. The nomination of new Directors shall be first deliberated by the Nomination Committee and then submitted to the Board, subject to the approval by the general meeting.

5. CONTINUOUS PROFESSIONAL DEVELOPMENT OF DIRECTORS

Each newly appointed Director receives induction on the occasion of his/her appointment, so as to ensure that he/she has a proper understanding of the business and operations of the Company and is fully aware of his/her responsibilities under the applicable laws, rules and regulations and the Group's various governance and internal control policies. All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills and have been informed of the requirement under code provision A.6.5 of the CG Code. All newly appointed Directors will receive the training referred to above and will be provided with "A Guide on Directors' Duties" issued by the Hong Kong Companies Registry and "Guidelines for Directors" and "Guide for Independent Non-Executive Directors" issued by the Hong Kong Institute of Directors. The Company provides continuous professional development for all Directors at the expense of the Company so as to develop and refresh their knowledge and skills.

Details of Directors' continuous professional development during the Reporting Period are as follows:

Directors	Reading relevant materials	Attending training on Hong Kong listed issuers' and directors' continuing duties and responsibilities/ Visiting/Interviewing key management
Non-Executive Directors		
Mr. DUAN Hongwei	✓	✓
Mr. LOU Yixiang	✓	✓
Mr. ZHANG Shuqing	✓	✓
Mr. LI Peng	✓	✓
Executive Directors		
Mr. HE Rongfeng	✓	✓
Mr. HUANG Wen	✓	✓
Independent Non-Executive Directors		
Mr. CHENG Dongyue	✓	✓
Mr. Wu Tak Lung	✓	✓
Ms. LIN Zhen	✓	✓

6. INSURANCE FOR DIRECTORS

The Company has arranged appropriate insurance to cover liabilities in respect of legal litigation against its Directors and officers due to corporate activities. The insurance coverage will be reviewed annually.

7. BOARD COMMITTEES

There are four committees under the Board including the Audit Committee, the Remuneration Committee, the Nomination Committee and the Risk Control Committee. The terms of reference of each of the Board Committees have been published on the websites of the Company and the Stock Exchange.

7.1 Audit Committee

As at the date of this annual report, the Audit Committee consisted of four members, being Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen, independent non-executive Directors, Mr. LOU Yixiang, non-executive Directors. The Audit Committee is chaired by Mr. WU Tak Lung who has a professional qualification in accountancy as required by the Listing Rules.

The primary functions of the Audit Committee include making recommendations to the Board on the appointment, re-appointment and removal of external auditors; reviewing the financial statements, assisting the Board in providing advice and an independent view of the financial reporting process, overseeing the audit process, providing advice and comment to the Board on matters related to corporate governance and performing other duties and responsibilities as assigned by the Board.

During the Reporting Period, the Audit Committee convened two meetings to review the report on annual audit and the letter of statement prepared by auditors, review the annual results of the Group for the year ended December 31, 2019 and the interim results of the Group for the six months ended June 30, 2020, to review the significant issues on the financial reporting and compliance procedures of the Group, to review the corporate governance report and the Company's performance on following the corporate governance code, to consider the re-appointment of external auditors of the Company and make recommendation to the Board.

The Audit Committee has discussed with the management and the external auditor of the Company and reviewed the audited annual consolidated financial statements of the Group for the Reporting Period and the annual results. In addition, KPMG, the external auditor of the Company, has independently audited the consolidated financial statements of the Group for the Reporting Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants.

7.2 Remuneration Committee

As at the date of this annual report, the Remuneration Committee consisted of five members, being Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen, independent non-executive Directors, Mr. DUAN Hongwei, a non-executive Director and Mr. HE Rongfeng, an executive Director. The Remuneration Committee is chaired by Mr. CHENG Dongyue.

The primary functions of the Remuneration Committee include determining the policies in relation to human resources management, reviewing the Company's remuneration policies and determining remuneration packages, bonuses and other compensation payables to Directors and senior management members of the Company.

During the Reporting Period, the Remuneration Committee convened one meeting to consider the proposed adoption of share appreciation rights incentive plan and grant scheme and to consider the purchase of H shares of the Company by senior management and employees of the Company through the collective investment scheme.

7.3 Nomination Committee

As at the date of this annual report, the Nomination Committee consisted of five members, being Mr. DUAN Hongwei, a non-executive Director, Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen, independent non-executive Directors and Mr. HE Rongfeng, an executive Director. The Nomination Committee is chaired by Mr. DUAN Hongwei.

The primary responsibility of the Nomination Committee is to make recommendations to the Board in relation to the appointment of Directors and the Board succession.

During the Reporting Period, the Nomination Committee convened one meeting to review the structure and composition of the Board and make recommendation to the Board, to examine the performance of the Board, to review the board diversity policy and to evaluate the independence of independent non-executive Directors.

7.4 Risk Control Committee

As at the date of this annual report, the Risk Control Committee consisted of five members, being Mr. HUANG Wen, an executive Director, Mr. ZHANG Shuqing, a non-executive Director, Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen, independent non-executive Directors. The Risk Control Committee is chaired by Ms. LIN Zhen.

The primary functions of our Risk Control Committee are to conduct research and propose suggestions on our risk management and internal control system in respect of our operations and business development. It is also responsible for supervising the implementation of risk management and internal control measures and process.

During the Reporting Period, the Risk Control Committee convened one meeting to review the Company's organizational structure adjustment and the establishment of an independent internal control department.

7.5 Director Nomination Policy

The director nomination policy of the Company is contained in the terms of reference of the Nomination Committee. The procedure for selection of Directors is as follows:

(I) making researches on the demand of the Company for new directors and senior management and then form written materials;

(II) identifying candidates for directors and senior management within the Company and its wholly-owned companies, majority-owned subsidiaries and affiliated companies as well as in the talent market;

(III) collecting information about the candidates, such as occupation, educational background, professional titles, detailed work experience and all part-time jobs engaged in, and then forming written materials;

(IV) seeking consent from each candidate before nominating him/her as a candidate for director or senior management;

(V) convening a Committee meeting and conducting qualification review on the primary candidates based on requirements for directors and senior management;

(VI) providing suggestions and related materials of the candidates for directors and senior management to the Board prior to the election of new directors and appointment of new senior management; and

(VII) carrying out additional follow-up works in accordance with decisions and feedbacks of the Board.

When assessing and selecting a candidate for Director, the Nomination Committee shall consider the following criteria:

(I) the candidate's character and integrity;

(II) the candidate's qualifications including professional qualifications, skills, knowledge and experience in relation to the Company's business and strategies;

(III) whether the candidate is willing to devote sufficient time to fulfill the duties of being a member of the Board and to serve the other roles of directorship and responsibilities of major commitments;

(IV) compliance with the provision of the Listing Rules in respect of the requirement that the Board shall comprise independent non-executive Directors, and whether such candidates are considered independent with reference to the independence guidelines set out in the Listing Rules;

(V) the policy for diversity of Board members and any measurable objectives adopted by the Board to achieve diversity of Board members; and

(VI) various other factors applicable to the Company's business.

The above factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any persons, as it considers appropriate.

7.6 Board Diversity Policy

The Company has adopted a board diversity policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level, including gender diversity, as an essential element in maintaining the Company's competitive advantage and enhancing its ability to attract, retain and motivate employees from the widest possible pool of available talent. In reviewing and assessing suitable candidates to serve as a Director, the Nomination Committee will consider a number of aspects, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry and regional experience. All appointments made or to be made by the Board are merit-based, and candidates are selected based on objective criteria taking full consideration of board diversity. Final decisions are comprehensively made based on each candidate's attributes and the consideration for his/her value contributions to be made to the Board. The Nomination Committee will discuss periodically and when necessary, agree on the measurable objectives for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption. At present, the Nomination Committee and the Board believes that the current composition of the Board meets the diversification factor.

8. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Group for the Reporting Period, which give a true and fair view in accordance with the Listing Rules, International Financial Reporting Standards issued by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the Directors are responsible for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

The senior management of the Company has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which have been put to the Board for approval. The Company provides all members of the Board with annual updates on the Company's performance, positions and prospects.

The Directors consider that in preparing the financial statements, the Company has adopted appropriate accounting policies which have been consistently applied and supported by reasonable judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

The Directors are not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditors of the Company regarding their reporting responsibilities on the consolidated financial statements of the Group for the Reporting Period is set out in the section headed "Independent Auditor's Report" in this annual report.

9. DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company has formulated the Code of Dealing in Securities of the Company by Directors, Supervisors, Senior Management and Personnel with Inside Information (《董事、監事、高級管理人員及其他內幕消息知情人員證券交易管理制度》) as the code of conduct of the securities transactions carried out by our Directors, Supervisors, senior management and personnel with inside information. The terms of which are not less exacting than the Model Code.

Having made specific enquiry with the Directors and Supervisors, they have confirmed their compliance with the relevant standards stipulated in the aforesaid code during the period from the Listing Date and to the ended of the Reporting Period.

10. REMUNERATION OF SENIOR MANAGEMENT

During the Reporting Period, the remuneration of senior management of the Company fell within the following bands:

	Number of individuals
RMB500,000 or below	0
RMB500,001 to RMB1,000,000	3
RMB1,000,001 to RMB2,000,000	4

11. COMPANY SECRETARY

The Company appointed Mr. GAO Wei as the company secretary of the Company. Mr. GAO Wei confirmed that he received not less than 15 hours of relevant professional training during the Reporting Period.

12. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness annually. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board is our highest decision-making body on risk management matters, and is ultimately responsible for the effectiveness of our overall risk management policies and procedures. The main responsibilities of the Board include (1) reviewing and approving major risk management policies and procedures, (2) assessing our overall risk exposure, and (3) supervising senior management members who are charged with risk management responsibilities.

The Risk Control Committee is primarily responsible for (1) researching and monitoring our risk management and internal control over our business operations and development, and making proposals for the Board's consideration, (2) offering insights on the characteristics of the risks we face and our risk management strategies, (3) reviewing, discussing and approving our risk management policies and guidance, (4) making decisions on risk levels and the corresponding resource allocations, (5) supervising the implementation of risk management policies and procedures, and (6) assessing the effectiveness of our risk management and internal control systems.

Senior management team consists of key management personnel who primarily bear the following responsibilities under the authorization and supervision of the Board:

(I) establishing a risk management execution team with clear division of duties and working procedures with regards to each type of risk to which our business is exposed;

(II) assessing and monitoring the risk sensitivity, appetite and tolerance, and understanding the risk bottleneck during business operations;

(III) supervising the implementation and execution of risk management policies, procedures and tools;

(IV) identifying deficiencies in the risk management and reporting them to the Board;

(V) investigating major risk events and reporting the results of such investigations to the Board;

(VI) evaluating the performance of employees involved in risk management; and

(VII) supervising and monitoring the implementation and operation of the information technology systems in support of our risk management activities.

The Board determines the risk preference and risk level according to the different risk conditions and unique characteristics of technology and new economy companies and traditional industries to ensure the perfection and effectiveness of risk management and internal monitoring system. The management of the Company implements the risk management and internal monitoring policies formulated by the Board, identifies and evaluates risks, designs, operates and monitors effective risk management and internal monitoring systems.

In ensuring the effectiveness of the risk management and internal control systems, the Risk Control Committee will follow and report the status of risk management and control regularly, improve the collection mechanism of risk-related information and identify the potential flaws of risk in a timely manner.

From the aspect of risk management system construction, the Company returned to the essence of financial lease business, established a risk management system that was really suitable for the “technology” and “financial lease” characteristics of the Company strengthened the application of financial technology in the financial lease business, and promoted the deep integration of financial technology and financial lease business. During the Reporting Period, we further optimized and iterated the first phase of the risk management system, developed the asset credit rating management system, optimized the main credit and debt security rating management system, and strengthened risk management and control by relying on technology. At the same time, we gradually transfered technology from the middle platform to the front platform, from strengthening risk control to enabling business development, from supporting role to value creation, through technological innovation, effectively drive business development, and better provided more quality services for innovative enterprises.

From the aspect of internal control system, the Company has built an internal control system covering all aspects of the Company's operation and management. The Company's internal control system fully absorbs COSO (the Committee of sponsoring organizations of the Treadway Commission) risk management framework requirements and the Hong Kong Society of Accountants' guidelines on risk management, taking into account the actual situation and business characteristics of the Company, formulate a monitoring framework, which provides reasonable guarantee for the effectiveness of the Company's business activities, the reliability of its financial reports and the compliance with laws and regulations.

The Company has established a risk management department and an audit department, which play an important role in monitoring the Company's risk management and internal control. The risk management department carries out the Company's risk assessment every year and issues the major risk report. Combined with the results of risk point sorting, the audit department formulates the annual work plan of internal audit, and negotiates the annual internal audit plan and resource utilization with the management. During the Reporting Period, the risk management department further strengthened the supervision of high-risk areas in the business, carried out special audit work such as contract change and COVID-19 Stress testing, which promoted the overall improvement of the management level of the Company's key business areas.

During the Reporting Period, the Company has inspected the overall effectiveness of the internal control system and issued the internal control self-evaluation report, which found no major defects and control risks. In combination with the review findings, the Company has revised more than 80 rules and regulations to continuously improve the internal control ability and promote system construction.

The Board normally conducts review of the effectiveness of the risk management and internal control systems at least on an annual basis. During the Reporting Period, the Board, together with the Risk Control Committee, has reviewed the effectiveness of the risk management and internal control of the Company, covering all material controls, financial, compliance and operational controls as well as risk management mechanisms once and considered the risk management and internal control systems of the Company are adequate and being implemented effectively.

The Company takes the Guidelines on Disclosure of Inside Information issued by the Securities and Futures Commission of Hong Kong as the Company's basis of identification of inside information, to ensure timely report of inside information to the executive Directors and maintain communication with the Board.

13. AUDITORS' REMUNERATION

Independence of the Company's external auditor is very important to Shareholders, the Board and the Audit Committee. The external auditor of the Company confirms annually to the Audit Committee that they are independent accountants and that they are not aware of any matters which could be reasonably thought to bear on their independence. The Audit Committee will assess the independence of the external auditor of the Company at least annually.

The Company appointed KPMG as the external auditors of the Company for the Reporting Period.

The Board and the Audit Committee are satisfied with the independence, objectivity and effectiveness of KPMG and the effectiveness of its audit procedures. Upon the recommendation of the Audit committee, the Board has proposed that KPMG be re-appointed as external auditor of the Company at the forthcoming annual general meeting. Subject to Shareholders' approval, the Board has authorised the Audit Committee to determine the remuneration of KPMG.

The total remuneration paid or payable to KPMG for audit and non-audit services during the Reporting Period are as below:

Service Category	**Fees Paid/Payable** RMB'000
Audit services	2,100
Non-audit service – review of financial statements for the six months ended June 30, 2020	1,000

14. DIVIDEND POLICY

The Company has adopted a dividend policy on December 20, 2019. The Company may distribute dividends by cash, stock or combination of cash and stock or other ways permitted by laws and regulations. According to the aforesaid dividend policy, the Articles of Association and the applicable laws and regulations, the Company's profit distribution plan shall be formulated by the Board and submitted to the general meeting for deliberation after being approved by the Board and the Board of Supervisors, and shall be approved by more than half of the Shareholders with voting rights and attending the general meeting. The Board will declare a dividend (if any) in RMB on a per share basis for H Shares and pay the dividend in Hong Kong dollars. In general, the Company intends to distribute not less than 35% of the annual distributable profits as dividends. All Shareholders have equal rights to obtain distributable profits, and the profits will be distributed in proportion. The Company's future dividend declaration may not necessarily reflect its previous dividend declaration and will be made by the Board at its discretion.

According to the applicable PRC laws and the Articles of Association, the after tax profits of the Company shall be distributed in the following order:

(I) When the Company distributes the after tax profits of the current year, 10% of the profits shall be withdrawn and included in the Company's statutory reserve fund. If the cumulative amount of the Company's legal accumulation fund is more than 50% of the Company's registered capital, it may not be withdrawn any more.

(II) Where the Company's statutory reserve fund is insufficient to cover the losses of the previous year, the Company shall first use the profits of the current year to cover the losses before drawing the statutory reserve fund in accordance with the provisions of the preceding paragraph.

(III) After the Company withdraws the legal accumulation fund from the after tax profit, it can also withdraw the discretionary accumulation fund from the after tax profit upon the resolution of the general meeting.

(IV) The remaining after tax profits after the Company makes up the losses and withdraws the accumulation fund shall be regarded as the distributable profits. In principle, the annual dividend shall not be less than 35% of the distributable profits realized in the current year, and shall be distributed according to the proportion of shares held by the Shareholders, except for those not distributed according to the proportion of shares held in accordance with the Articles of Association. The profit distribution plan of the company shall be formulated by the Board and submitted to the general meeting for deliberation after being approved by the Board, and shall not be adopted until more than half of the Shareholders present have voted for approval. The Board will declare a dividend (if any) in RMB on a per share basis for H Shares and pay the dividend in Hong Kong dollars.

(V) If the general meeting, in violation of the provisions of the preceding paragraph, distributes profits to the shareholders before the Company makes up for the losses and withdraws the statutory reserve fund, the Shareholders must return the profits distributed in violation of the provisions to the Company.

(VI) The Shares held by the Company do not participate in the distribution of profits.

15. THE PROCEDURE FOR SHAREHOLDERS TO CONVENE A GENERAL MEETING

As the owners of the Company, Shareholders are entitled to the various rights stipulated by laws, administrative rules and regulations and the Articles of Association. The general meeting is the supreme authority of the Company, through which Shareholders exercise their power.

The Board and senior management of the Company understand that they are representing the interest of all the Shareholders and their first priority is to maintain the stable and continuous growth of Shareholders' investment return in the long run and enhance the competitiveness of the business.

15.1 The Procedure for Shareholders to Convene a General Meeting

In accordance with the Articles of Association, if the Board is unable or fails to fulfill the obligation of convening a general meeting, the Board of Supervisors shall convene and preside over such meeting in a timely manner. If the Board of Supervisors does not convene or preside over such meeting, the Shareholders individually or jointly holding no less than 10% of shares of the Company for no less than 90 consecutive days may convene and preside over such meeting on their own.

Shareholders who request an extraordinary general meeting or a general meeting of a class of shareholders shall comply with the following procedures:

(I) two or more Shareholders who individually or together hold 10% or more of the shares carrying the right to vote in the meeting to be convened can request the Board to convene an extraordinary general meeting or a class meeting by signing one or several copies of written request(s) in the same form and content, and stating the motions and resolutions proposed. The Board shall convene the extraordinary general meeting or the class meeting as soon as possible upon receiving such written request(s). The shareholdings referred to above shall be calculated as at the date of request made.

(II) If no notice of convening a general meeting is issued within thirty days after the Board receiving the abovementioned written request(s), the Shareholders making the request(s) can convene a meeting by themselves within four months after the Board receiving the abovementioned written request(s), and the procedures for convening such meeting shall follow the procedures of the general meeting convened by the Board as much as possible.

All reasonable expenses incurred for such meeting convened by the Shareholders as a result of the failure of the Board to convene a meeting as required above shall be borne by the Company and be set off against sums owed by the Company to the defaulting Directors.

15.2 The Procedure for Shareholders of Putting forward Proposals at the General Meeting

In accordance with the Articles of Association, as a general meeting is convened, any Shareholders individually or jointly holding more than 3% of the Company's shares may propose any resolution to the Company. Such Shareholders who individually or together hold more than 3% of the Company's shares may submit an interim proposal in writing to the convener ten days prior to the date of the general meeting. The convener shall then dispatch a supplemental notice of general meeting to announce the interim proposal and submit the interim proposal to the general meeting for consideration, within two days upon receipt of such proposal. Written proposal can be sent by post to the Company's registered office address at Floor 5 & 6, Suite 7, Courtyard 2, No. 1 West Third Ring North Road, Haidian District, Beijing, the PRC or by email at ir@zgclease.com.

15.3 The Procedure for Enquiry from Shareholders to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the investor relations which contact details are as follows:

Address:	Floor 6, Suite 7, Courtyard 2, No. 1 West Third Ring North Road, Haidian District, Beijing, the PRC
Fax:	+86-010-8345-3809
Email:	ir@zgclease.com
Attention:	the Board/company secretary

For the avoidance of doubt, Shareholders must lodge their questions together with their detailed contact information (including full name, contact details and identification) for prompt response from the Company if the Company deems appropriate. Shareholders' information may be disclosed as required by law.

16. COMMUNICATIONS WITH SHAREHOLDERS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company attaches great importance to listening and accepting reasonable suggestions and opinions from Shareholders and investors. To promote effective communication, the Company maintains a website at www.zgclease.com, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

17. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In accordance with China Securities Regulatory Commission issued the "Guidelines on the Application for 'Full Circulation' of Domestic Unlisted Shares of H-share Companies" (CSRC Announcement [2019] No. 22) (《H股公司境內未上市股份申請"全流通"業務指引》(證監會公告[2019]22號)), the Company amended some provisions relating to the "full circulation" of H shares in the Articles of Association. The amendments were considered and approved at the 2019 annual general meeting, 2020 first domestic share class meeting and 2020 first H share class meeting of the Company on June 24, 2020. The Company received the approval from Beijing Local Financial Supervisor and Administration (北京市地方金融監督管理局) on August 18, 2020. For details of the amendments, please refer to the announcements of the Company dated March 30, 2020, June 24, 2020 and the circular of the Company dated May 6, 2020.

Saved as disclosed above, there was no any other amendment to the Articles of Association since the Listing Date and up to the end of the Reporting Period.

Report of the Board of Directors

The Board is pleased to present its report together with the audited consolidated annual results of the Company entities for the Reporting Period.

1. BUSINESS REVIEW

1.1 Principal Activities

The Company was established as a limited liability company on November 27, 2012 under the laws of the PRC and is a member of ZGC Group. The Company's H shares were listed on the Stock Exchange since January 21, 2020. The Company is principally engaged in providing efficient finance lease solutions and a variety of advisory services to satisfy technology and new economy companies' needs for financial services at different stages of their growth in China.

As at the end of the Reporting Period, the Company had no subsidiary. An analysis of the Company's revenue and operating profit for the Reporting Period by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report.

1.2 Business Review and Analysis of Key Indicators of Financial Performance

A review of the Company's business during the Reporting Period, which includes a discussion of the principal risks and uncertainties faced by the Company, an analysis of the Company's performance using financial key performance indicators, particulars of important events affecting the Company during the year, and an indication of likely future developments in the Company's business, could be found in the sections headed "Chairman's Statement", "General Manager's Statement" and "Management Discussion and Analysis" in this annual report. A discussion on relationships with its key stakeholders is included in the sections headed "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. These discussions form part of this report of the Board of Directors.

1.3 Environmental, Social and Governance Performance

As a listed company of the Stock Exchange, the Company attaches great importance to the performance of environmental, social and governance responsibilities. For more information regarding environmental, social and governance of the Company for the Reporting Period, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

2. ANNUAL GENERAL MEETING AND PROFIT DISTRIBUTIONS

2.1 Annual General Meeting

The forthcoming annual general meeting of the Company will be held on Friday, May 28, 2021, a notice of which will be published and despatched to the Shareholders in due course.

2.2 Final Dividend

The consolidated annual results of the Company for the Reporting Period are set out in the consolidated statement of profit or loss of this annual report.

The Board recommends the payment of a final dividend of RMB0.0435 per share (tax inclusive) for the year ended December 31, 2020, totally approximately RMB58 million, to the Shareholders whose names appear on the register of members of the Company on Friday, June 11, 2021. In principle, the payments will be made to holders of Domestic Shares in RMB and to holders of H Shares in HK$. The proposed final dividend is expected to be paid on or around Monday, July 26, 2021, subject to the Shareholders' approval at the forthcoming annual general meeting.

2.3 Taxation

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), the Notice on the Issues Concerning the Collection and Administration of Individual Income Tax Following the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)) and the Announcement of the State Administration of Taxation on Promulgation of the "Administrative Measures on Entitlement of Non-residents to Treatment under Tax Treaties" (Announcement No. 60 [2015] of the State Administration of Taxation) (《國家稅務總局關於發佈〈非居民納稅人享受稅收協議待遇管理辦法〉的公告》(國家稅務總局公告2015年第60號)) and the relevant laws, regulations and regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H Shares in respect of the proposed final dividend to be distributed to them. Overseas resident individual shareholders of stocks issued by domestic non-foreign investment enterprises in Hong Kong are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements signed between the countries in which they are residents and China, or to the tax arrangements between mainland China and Hong Kong and Macau. Accordingly, 10% of the dividends to be distributed to the individual holders of H Shares are generally withheld as individual income tax unless otherwise specified by the relevant tax laws, regulations and agreements.

For holders of H Shares who are non-resident enterprises, in accordance with the provisions of the Notice on Issues concerning Withholding the Enterprise Income Tax on Dividends Paid by Chinese Resident Enterprises to H Shares holders who are Overseas Non-resident Enterprises (Guoshuihan [2008] No. 897) published by the State Administration of Taxation of PRC (國家稅務總局《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), the enterprise income tax shall be withheld at a uniform rate of 10% by the Company. Non-resident enterprise shareholders may apply for tax refund for the difference in accordance with relevant requirements including tax agreements (arrangements).

The Company assumes no responsibility and disclaims all liabilities whatsoever in relation to the tax status or tax treatment of the holders of H shares and for any claims arising from any delay in or inaccurate determination of the tax status or tax treatment of the holders of H shares or any disputes relating to the tax withholding and payment mechanism or arrangements.

3. CLOSURES OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

For determining the entitlement to attend and vote at the forthcoming annual general meeting, the register of members of the Company will be closed from Monday, May 24, 2021 to Friday, May 28, 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the forthcoming annual general meeting, all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's headquarters and principal place of business in China at Floor 6, Suite 7, Courtyard 2, No. 1 West Third Ring North Road, Haidian District, Beijing, the PRC (for holders of domestic shares) or the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) not later than 4:30 p.m. on Friday, May 21, 2021, for registration.

For determining the entitlement to the proposed final dividend, subject to approval by the Shareholders at the forthcoming annual general meeting, the register of members of the Company will be closed from Monday, June 7, 2021 to Friday, June 11, 2021, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's headquarters and principal place of business in China at Floor 6, Suite 7, Courtyard 2, No. 1 West Third Ring North Road, Haidian District, Beijing, the PRC (for holders of domestic shares) or the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H shares) not later than 4:30 p.m. on Friday, June 4, 2021, for registration.

4. FINANCIAL SUMMARY

A summary of the Company's results, assets and liabilities for the last five financial years is set out on pages 25 to 26 of this annual report. This summary does not form part of the audited consolidated financial statements.

5. PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Company during the Reporting Period are set out in Note 13 to the consolidated financial statements of this annual report.

6. SHARE/PAID-IN CAPITAL

The Company issued 333,334,000 H Shares at an offer price of HK$1.52 per H Shares and which were listed on the Main Board of the Stock Exchange on January 21, 2020 through the Global Offering.

Details of the movements in share/paid-in capital of the Company during the Reporting Period, are set out in Note 23 to the consolidated financial statements of this annual report.

7. EQUITY-LINKED AGREEMENTS

During the Reporting Period, the Company did not enter into any equity-linked agreement.

8. RESERVES

Details of the movement in the reserves of the Company during the Reporting Period are set out in Note 23 to the consolidated financial statements of this annual report.

As at the end of the Reporting Period, the reserves of the Company available for distribution to the Shareholders amounted to approximately RMB109.0 million.

9. BORROWINGS

Details of the borrowings during the Reporting Period, are set out in the section headed "Management Discussion and Analysis" and Note 21 to the consolidated financial statements of this annual report.

10. DISCLOSURE UNDER RULE 13.18 OF THE LISTING RULES

On October 25, 2019, the Company, as the borrower, entered into a loan agreement with Bank I, as the lender, pursuant to which the lender agreed to provide the loans to the Company in a total amount of not exceeding RMB150 million. According to the aforesaid loan agreement, no less than 51% of the Company's shares shall be held by ZGC Group before the Listing, and ZGC Group shall remain the largest shareholder of the Company after the Listing. In the event the aforesaid undertakings have been breached, the lender may terminate the aforesaid loan agreement and demand immediate repayment of all outstanding amounts from time to time. The term of the aforesaid loan agreement is one year. The loan has been repaid and the loan agreement is terminated.

On November 19, 2019, the Company, as the borrower, entered into a loan agreement with Bank II, as the lender, pursuant to which the lender agreed to provide the loans to the Company in a total amount of not exceeding RMB250 million. According to the aforesaid loan agreement, no less than 51% of the Company's shares shall be held by ZGC Group before the Listing, and ZGC Group shall remain the largest shareholder of the Company after the Listing. In the event the aforesaid undertakings have been breached, the lender may terminate the aforesaid loan agreement and demand immediate repayment of all outstanding amounts from time to time. The term of the aforesaid loan agreement is one year. The loan has been repaid and the loan agreement is terminated.

On August 31, 2020, the Company, as the borrower, entered into a facility agreement with Bank III, as the lender, pursuant to which the lender agreed to provide the loan facility to the Company in a total amount of US$25,000,000. According to the aforesaid facility agreement, ZGC Group shall remain as the largest shareholder (directly or indirectly) of the Company. In the event the aforesaid undertakings have been breached, the lender may terminate the aforesaid facility agreement and demand immediate repayment of all outstanding amounts from time to time. The term of the aforesaid facility agreement is one year.

On August 31, 2020, the Company, as the borrower, entered into a loan agreement with Bank IV, as the lender, pursuant to which the lender agreed to provide the loan to the Company in a total amount of RMB50,000,000. According to the aforesaid loan agreement, ZGC Group shall remain as the largest shareholder (directly or indirectly) of the Company. In the event the aforesaid undertakings have been breached, the lender may terminate the aforesaid loan agreement and demand immediate repayment of all outstanding amounts from time to time. The term of the aforesaid loan agreement is one year.

On November 19, 2020, the Company, as the borrower, entered into a facility agreement with Bank V, as the lender, pursuant to which the lender agreed to provide the loan facility to the Company in a total amount of RMB250,000,000. According to the aforesaid facility agreement, ZGC Group shall collectively directly or indirectly own not less than 40% of the total share capital of the Company during the validity period of the facility. In the event of breach of the aforesaid undertaking, the lender has the right to terminate the aforesaid facility agreement and demand immediate repayment of all outstanding amounts from time to time. The term of the aforesaid facility agreement is one year.

As at the date of this annual report, ZGC Group directly and indirectly holds approximately 48% of the issued shares of the Company and is the largest shareholder of the Company.

11. CHARITABLE DONATIONS

During the Reporting Period, the Company's charitable donations amounted to RMB216,000.

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

From the Listing Date and up to the end of the Reporting Period, the Company have not purchased, sold, or redeemed any of the Company's listed securities.

13. PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association, or the laws of the PRC, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

14. DIRECTORS

During the period from the end of the Reporting Period and up to the date of this annual report, the Directors were as follows:

Non-executive Directors

Mr. DUAN Hongwei
Mr. LOU Yixiang
Mr. ZHANG Shuqing
Mr. LI Peng *(resigned with effect from March 19, 2021)*

Executive Directors

Mr. HE Rongfeng
Mr. HUANG Wen

Independent Non-executive Directors

Mr. CHENG Dongyue
Mr. WU Tak Lung
Ms. LIN Zhen

15. SUPERVISORS

During the period from the end of the Reporting Period and up to the date of this annual report, the Supervisors were as follows:

Mr. ZHANG Jian
Mr. TIAN Anping
Mr. FANG Fang
Mr. LONG Limin *(resigned with effect from March 19, 2021)*
Mr. TONG Chao
Ms. ZHOU Di
Ms. HAN Nana

16. BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Biographical details of Directors, Supervisors and the senior management of the Company as at the date of this annual report are set out in the section headed "Profile of Directors, Supervisors and Senior Management" to this annual report.

17. PARTICULARS OF SERVICE CONTRACTS

Each of the Directors entered into a service contract with the Company. The principal particulars of these service contracts comprise, among other things, (a) the term of three years commencing from the date when their respective appointments are approved by the Shareholders, and (b) termination provisions in accordance with their respective terms.

The Independent non-executive Directors have each signed a letter of appointment with the Comany and have been appointed for a term of three year. The appointment may be terminated by either party giving to the other not less than one month's prior notice in writing.

Each of the Supervisors entered into a contract with the Company in respect of (among other things) compliance with the relevant laws, regulations, the Articles of Association and relevant provisions applicable to arbitrations in the PRC. The term of such contracts is three years commencing from the date when their respective appointments are approved.

Save as disclosed above, none of the Directors or Supervisors has a service contract with the Company which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

18. CONTRACT WITH DIRECTORS, SUPERVISORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, there were no other transactions, arrangement or contract of significance in relation to the Company's business, to which the Company or any of its subsidiaries was a party and in which any of the Directors, Supervisors or the Controlling Shareholders had a material interest, whether directly or indirectly, during the Reporting Period.

19. REMUNERATION OF DIRECTORS, SUPERVISORS AND THE FIVE HIGHEST PAID INDIVIDUALS

During the Reporting Period, details of the Directors' and Supervisors' emoluments and emoluments of the five highest paid individuals in the Company are set out in Notes 9 and 10 to the consolidated financial statements of this annual report, respectively.

20. DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors had any interest in a business that competed or was likely to compete, either directly or indirectly, with the core business of the Company.

21. NON-COMPETITION AGREEMENT

To avoid any potential competition between the business of the Controlling Shareholders and the Company, on December 20, 2019, each of the Controlling Shareholders entered into a non-competition agreement in favor of the Company (the "**Non-competition Agreement**"), pursuant to which each of the Controlling Shareholders irrevocably undertakes to the Company that it will not and will procure its subsidiaries (except the Company) not to, directly or indirectly (whether in the capacity of principal or agent, whether for its own benefit or jointly with or on behalf of any person, firm or company, whether within or outside China), commence, engage in, participate in or acquire any business which competes or may compete directly or indirectly with the core business of the Company or own any rights or interests in such business within the restricted period. Details of the Non-competition Agreement are set out in the section headed "Relationship with the Controlling Shareholders – Non-competition Agreement" in the Prospectus.

The Controlling Shareholders declared that they complied with the Non-competition Agreement during the Reporting Period. The independent non-executive Directors have conducted the review of the aforesaid compliance and also reviewed the relevant undertakings and are satisfied that the Non-competition Agreement has been fully complied with.

22. INDEMNITY OF DIRECTORS AND SUPERVISORS

At no time during the Reporting Period was there any permitted indemnity provision being in force for the benefit of any of the Directors or Supervisors (whether made by the Company or otherwise) or any associated companies (if made by the Company). The Company has arranged appropriate liability insurance coverage for the Directors, Supervisors and officers.

23. MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or in existence during the Reporting Period.

24. LOAN AND GUARANTEE

During the Reporting Period, the Company did not make any loan or provided any guarantee for any loan, directly or indirectly, to the Company's Directors, Supervisors, senior management, the Controlling Shareholders or their respective connected persons.

25. SHARE OPTION SCHEME

The Company did not adopt any share option schemes under Chapter 17 of the Listing Rules since its incorporation.

26. INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at the end of the Reporting Period, none of the Directors, Supervisors or chief executive of the Company had any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which he or she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

27. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SHARES AND UNDERLYING SHARES

As at the end of the Reporting Period, to the knowledge of the Directors, the following persons (not being Directors, Supervisors and the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Class of Shares	Capacity/ Nature of interest	Number of Shares interested[1]	Approximate percentage of shareholding in the total issued relevant class of shares of the Company [1] (%)	Approximate percentage of shareholding in the total issued shares of the Company [1] (%)
ZGC Group [2]	Domestic Shares	Beneficial owner	600,000,000 (L)		
		Interest of controlled corporation	40,000,000 (L)		
		Total:	640,000,000 (L)	64.00% (L)	48.00% (L)
ZGC Investment Center [3]	Domestic Shares	Interest of controlled corporation	640,000,000 (L)	64.00% (L)	48.00% (L)
Chaoyang SCOMC [4]	Domestic Shares	Beneficial interest	100,000,000 (L)		
		Interest of controlled corporation	100,000,000 (L)		
		Total:	200,000,000 (L)	20.00% (L)	15.00% (L)
Wangjing Development [4]	Domestic Shares	Beneficial owner	100,000,000 (L)	10.00% (L)	7.50% (L)
Nanshan Capital [5]	Domestic Shares	Beneficial owner	99,900,000 (L)	9.99% (L)	7.49% (L)
Nanshan Group Co., Ltd. (南山集團有限公司) [5]	Domestic Shares	Interest of controlled corporation	99,900,000 (L)	9.99% (L)	7.49% (L)
Nanshan Villagers' Committee of Dongjiang County, Longkou City (龍口市東江鎮南山村村民委會) [5]	Domestic Shares	Interest of controlled corporation	99,900,000 (L)	9.99% (L)	7.49% (L)
SONG Zuowen (宋作文) [5]	Domestic Shares	Interest of controlled corporation	99,900,000 (L)	9.99% (L)	7.49% (L)
Beijing Enterprises Group Company Limited [6]	H Shares	Interest of controlled corporation	50,952,000 (L)	15.29% (L)	3.82% (L)
Beijing Enterprises Group (BVI) Company Limited [6]	H Shares	Interest of controlled corporation	50,952,000 (L)	15.29% (L)	3.82% (L)
Beijing Enterprises Holdings Limited [6]	H Shares	Interest of controlled corporation	50,952,000 (L)	15.29% (L)	3.82% (L)
Beijing Enterprises Environmental Construction Limited (北控環境建設有限公司) [6]	H Shares	Interest of controlled corporation	50,952,000 (L)	15.29% (L)	3.82% (L)
Beijing Enterprises Water Group Limited (北控水務集團有限公司) [6]	H Shares	Interest of controlled corporation	50,952,000 (L)	15.29% (L)	3.82% (L)

Name of Shareholder	Class of Shares	Capacity/ Nature of interest	Number of Shares interested[1]	Approximate percentage of shareholding in the total issued relevant class of shares of the Company [1] (%)	Approximate percentage of shareholding in the total issued shares of the Company [1] (%)
United Crystal Limited [6]	H Shares	Beneficial owner	50,952,000 (L)	15.29% (L)	3.82% (L)
Beijing Haidian State-owned Capital Operation and Management Center (北京市海淀區國有資本經營管理中心) [7]	H Shares	Interest of controlled corporation	36,742,000 (L)	11.02% (L)	2.76% (L)
Beijing Zhongguancun Science City Innovation and Development Co., Ltd. (北京中關村科學城創新發展有限公司) [7]	H Shares	Beneficial owner	36,742,000 (L)	11.02% (L)	2.76% (L)
XIA Shudong (夏曙東) [8]	H Shares	Interest of controlled corporation	32,894,000 (L)	9.87% (L)	2.47% (L)
Shudong Investment Limited [8]	H Shares	Interest of controlled corporation	32,894,000 (L)	9.87% (L)	2.47% (L)
TransCloud Company Limited [8]	H Shares	Interest of controlled corporation	32,894,000 (L)	9.87% (L)	2.47% (L)
China Transinfo Technology Limited (中國車聯網有限公司) [8]	H Shares	Beneficial owner	32,894,000 (L)	9.87% (L)	2.47% (L)
Yusys Technologies Co., Ltd. (北京宇信科技集團股份有限公司)	H Shares	Beneficial owner	22,046,000 (L)	6.61% (L)	1.65% (L)

Notes:

(1) As at the end of the Reporting Period, the Company has issued a total number of 1,333,334,000 Shares, comprising 1,000,000,000 Domestic Shares and 333,334,000 H Shares. (L) represents long position.

(2) ZGC Group directly holds 600,000,000 Domestic Shares. ZGC Group is also deemed to be interested in 40,000,000 Domestic Shares held by ZGC Finance, its wholly-owned subsidiary, under the SFO.

(3) Under the SFO, ZGC Investment Center is deemed to be interested in the entire interest held by ZGC Group, a company directly held by it as to 55.4%.

(4) Chaoyang SCOMC directly holds 100,000,000 Domestic Shares. Chaoyang SCOMC is also deemed to be interested in 100,000,000 Domestic Shares held by Wangjing Development its wholly-owned subsidiary, under the SFO.

(5) Under the SFO, Nanshan Group Co., Ltd. (南山集團有限公司) is deemed to be interested in the entire interest held by Nanshan Capital its wholly-owned subsidiary. As Nanshan Group Co., Ltd. is owned as to 51% by Nanshan Villagers' Committee of Dongjiang County, Longkou City (龍口市東江鎮南山村村民委員會) and 49% by Mr. SONG Zuowen (宋作文), respectively, under the SFO, each of Nanshan Villagers' Committee of Dongjiang County, Longkou City and Mr. SONG Zuowen is deemed to be interested in the entire interest held by Nanshan Group Co., Ltd.

(6) United Crystal Limited is a wholly-owned subsidiary of Beijing Enterprises Water Group Limited (北控水務集團有限公司), which is owned as to 41.13% by Beijing Enterprises Environmental Construction Limited (北控環境建設有限公司), a wholly-owned subsidiary of Beijing Enterprises Holdings Limited. Beijing Enterprises Holdings Limited is held as to 7.93% by Modern Orient Limited, a wholly-owned subsidiary of Beijing Enterprises Investment Limited, which is held as to 72.72% by Beijing Enterprises Group (BVI) Company Limited. Beijing Enterprises Investment Limited also directly holds 12.97% of the equity interest of Beijing Enterprises Holdings Limited. As a wholly-owned subsidiary of Beijing Enterprises Group Company Limited, Beijing Enterprises Group (BVI) Company Limited directly and indirectly holds 61.96% of the equity interest of Beijing Enterprises Holdings Limited. Each of Beijing Enterprises Water Group Limited, Beijing Enterprises Environmental Construction Limited, Beijing Enterprises Investments Limited, Morden Orient Limited, Beijing Enterprises Holdings Limited, Beijing Enterprises Group (BVI) Company Limited and Beijing Enterprises Group Company Limited is therefore deemed to be interested in H Shares held by United Crystal Limited under the SFO.

(7) Under the SFO, Beijing Haidian State-owned Capital Operation and Management Center (北京市海淀區國有資本經營管理中心) is deemed to be interested in the entire interest held by Beijing Zhongguancun Science City Innovation and Development Co., Ltd. (北京中關村科學城創新發展有限公司), its wholly-owned subsidiary.

(8) China Transinfo Technology Limited (中國車聯網有限公司) is wholly owned by TransCloud Company Limited, a wholly-owned subsidiary of Shudong Investment Limited, which is wholly owned by Mr. XIA Shudong. Each of TransCloud Company Limited, Shudong Investment Limited and Mr. XIA Shudong is therefore deemed to be interested in H Shares held by China Transinfo Technology Limited.

Save as disclosed above and to the best knowledge of the Directors, as at the end of the Reporting Period, no person (excluding Directors, Supervisors, and chief executives of the Company) had an interest or a short position in the shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under section 336 of the SFO.

28. ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the Reporting Period was the Company or its holding company, a party to any arrangement to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debt securities including debentures of, the Company or any other body corporate.

29. MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Company's largest customers accounted for approximately 1.4% of the Company's total revenue. The Company's five largest customers accounted for approximately 5.9% of the Company's total revenue.

During the Reporting Period, the Company's largest suppliers accounted for approximately 19.5% of the Company's total cost of sales. The Company's five largest suppliers accounted for 51.2% of the Company's total cost of sales.

Except for disclosure in section "connected transactions" of this annual report, during the Reporting Period, none of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Company's five largest suppliers or the Company's five largest customers.

30. EMPLOYEES AND REMUNERATION POLICY

The Company had 120 employees as at the end of the Reporting Period, as compared to approximately 110 employees as at December 31, 2019. The Company entered into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Company's employees, including Directors, includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions.

31. RETIREMENT BENEFITS

The employees of the Company are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the Company are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Company with respect to this retirement benefits scheme is to make the required contributions under the scheme.

32. CONTINUING CONNECTED TRANSACTIONS

The Company entered into certain continuing connected transactions with ZGC Group, which are subject to the disclosure requirements under Chapter 14A of the Listing Rules. The Company confirms that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules for these continuing connected transactions.

The Company complied with the pricing policy of the Company in respect of the continuing connected transactions from entering into such continuing connected transactions and up to the end of the Reporting Period.

ZGC Group holds approximately 48% of the total issued Shares of the Company and is one of the Controlling Shareholders. Therefore, ZGC Group is a connected person of the Company.

The following table sets forth details of such continuing connected transactions:

No.	Continuing connected transactions	Connected Person(s)	Annual cap for the year 2020 (RMB million)	Actual transaction amount for the year 2020 (RMB million)
(1) Financial Lease Framework Agreement	Lease principal to be provided by the Company	ZGC Group and/ or its associates	12.0	–
	Lease interest	ZGC Group and/ or its associates	1.5	0.5
	Advisory services fee	ZGC Group and/ or its associates	1.2	–
(2) Credit Services Framework Agreement	Credit services (daily maximum outstanding balances including accrued interest) with security over assets of the Company	ZGC Group and/ or its associates	1,670.86	1,245.30

Financial Lease Framework Agreement

On December 20, 2019, the Company entered into a financial lease framework agreement (the "**Financial Lease Framework Agreement**") with ZGC Group. The major terms of the Financial Lease Framework Agreement are as follows:

- ZGC Group and/or its associates will receive financial lease services and advisory services from the Company and/or its subsidiaries;
- with respect to specific financial lease projects, the Company and/or its subsidiaries shall enter into individual agreements with ZGC Group and/or its associates to prescribe specific terms and conditions, including principal, lease interest, advisory service fees, ownership and use right, lease period and other terms; and
- the Financial Lease Framework Agreement will be effective from the Listing Date to December 31, 2021 and may be renewed by mutual consent.

Certain associates of ZGC Group seek financial lease services and relevant advisory services from the Company from time to time to support their business developments. Since the Company is able to provide financial lease services and advisory services, and it is familiar with financial lease requirements of ZGC Group and its associates, it is expected that ZGC Group and its associates will continue to seek financial lease services and relevant advisory services from the Company.

The table below sets forth the annual caps under the Financial Lease Framework Agreement:

	Annual Caps (RMB million) For the year ended/ending December 31,		
	2019	2020	2021
Lease principal to be provided by the Company to ZGC Group and/or its associates	12.0	12.0	12.0
Lease interest	0.9	1.5	1.6
Advisory services fee	1.2	1.2	1.2

The above annual caps are based on the following factors: (1) the historical transaction amounts of financial lease services and relevant advisory services provided by the Company to ZGC Group and its associates. The Company estimates the financial lease demand from ZGC Group and its associates will remain at the same level based on the average lease principal for the three years ended December 31, 2018 and will increase at a rate of approximately 10% from 2019 to 2021 taking into account the general trend in macroeconomic conditions; (2) the Company's existing financial lease contractual arrangement with ZGC Group and its associates; and (3) the expected changes in the financing cost of the Company.

Please refer to the section headed "Continuing Connected Transactions" in the Prospectus for further details of the Financial Lease Framework Agreement.

Credit Services Framework Agreement

On December 20, 2019, the Company entered into a credit services framework agreement (the "**Credit Services Framework Agreement**"). The major terms of the Financial Credit Services Agreement are as follows:

- pursuant to the Credit Services Framework Agreement, the Company may request ZGC Group to provide credit services (including, without limitation, entrusted loan) with security over the assets of the Company (including, without limitation, pledge of trade receivables) acceptable to ZGC Group;

- for specific service, the Company and/or its subsidiaries shall enter into individual agreements with ZGC Group to stipulate specific terms and conditions, including loan interest, payment method and other terms; and

- the Credit Services Framework Agreement shall commence from the Listing Date until December 31, 2021, subject to the waiver granted by the Stock Exchange and the independent shareholders' approval at the Company's first annual general meeting after the Listing Date and may be renewed by mutual consent.

An ordinary resolution in relation to the continuing connected transactions under the Credit Services Framework Agreement and the proposed annual caps was approved by the independent shareholders of the Company at the first annual general meeting after the Listing Date held on June 24, 2020.

As ZGC Group, a Controlling Shareholder, has a more thorough understanding of the business development and capital needs of the Company and is able to provide financial services and capital support in a more convenient and efficient manner as compared to other third parties. The credit services will provide the Company with an alternative source of finance (in addition to the general banking facilities, and debt and equity securities) on normal commercial terms. The credit services are provided through cash management services by licensed commercial banks in China in accordance with the applicable PRC laws and regulations. The Company also has discretion in selecting other major and independent PRC commercial banks as its financial service provider as it thinks fit and appropriate for the benefits of the Company. As a result, the legitimate interests of the Company in selecting financial service providers will not be jeopardized and will be safeguarded by such condition and discretion.

The table below sets forth the annual caps under the Credit Services Framework Agreement:

	Annual Caps (RMB million) For the year ended/ending December 31,		
	2019	**2020**	**2021**
Credit services (daily maximum outstanding balances including accrued interest) with security over assets of the Group	1,686.1	1,670.86	2,088.03

The above annual caps are determined with reference to (1) the Company's historical transaction amounts with ZGC Group for the three years ended December 31, 2019, (2) the outstanding amount of the secured entrusted loans with ZGC Group, and (3) the expected growth of the Company's business and the need for financing to supporting its business expansions.

The Board approved the Credit Services Framework Agreement. Among the Directors, (i) Mr. DUAN Hongwei holds directorship in several subsidiaries of ZGC Group (other than the Company), (ii) Mr. LOU Yixiang is a director of the strategy management department of ZGC Group and also holds directorship in several subsidiaries of ZGC Group (other than the Company), (iii) Mr. ZHANG Shuqing is the vice general manager (in charge of work) of the technology finance department of ZGC Group and also holds directorship in several subsidiaries of ZGC Group (other than the Company), and (iv) Mr. HE Rongfeng holds directorship in one subsidiary of ZGC Group (other than the Company), and accordingly they are considered to have material interests in the transactions contemplated under the Credit Services Framework Agreement. Mr. DUAN Hongwei, Mr. LOU Yixiang, Mr. ZHANG Shuqing and Mr. HE Rongfeng had abstained from voting on the resolution in respect of the Credit Services Framework Agreement at the Board meeting. Save as disclosed above, no Director has interests in the transactions contemplated under the Credit Services Framework Agreement.

Please refer to the circular of the Company dated May 7, 2020 for further details of the Credit Services Framework Agreement.

Confirmation of Independent Non-executive Directors

Pursuant to Rule 14A.55 of the Listing Rules, the price and terms of the aforesaid continuing connected transactions have been reviewed by the independent non-executive Directors in accordance with the pricing policies and internal review guidelines of the Company, who confirmed that the aforesaid continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Company;

(b) on normal commercial terms or better; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Confirmation of the Auditor

The auditor of the Company has been engaged to report on the connected transactions of the Company disclosed in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board has received an unqualified letter from the auditor of the Company in accordance with Rule 14A.56 of the Listing Rules containing the auditor's findings and conclusion on the aforesaid continuing connected transactions of the Company, stating that the auditor has not noticed anything that causes it to believe that any of these continuing connected transactions:

(a) have not been approved by the Board;

(b) were not, in all material respects, in accordance with the pricing policies of the Company for the connected transactions involving the provision of goods or services by the Company;

(c) were not entered into, in all material aspects, in accordance with the relevant agreements governing such continuing connected transactions; and

(d) have exceeded the relevant annual caps as set by the Company.

A copy of the auditor's letter has been provided by the Company to the HKEX.

Related Party Transactions

Details of the related party transactions of the Company during the Report Period are set out in Note 27 to the consolidated financial statements of this annual report.

Save as disclosed above, no related party transactions set out in Note 27 to the consolidated financial statements constitutes discloseable connected transactions or continuing connected transactions under the Listing Rules. The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules in respect of its connected transactions and continuing connected transactions.

33. DEBENTURES ISSUED

As approved by the Shareholders, the Company issued a 3-year asset-back securities with a principal amount of RMB570 million, carrying an interest rate ranging from 4.1% to 4.2%, which is listed on the Shenzhen Stock Exchange on September 9, 2020. The proceeds were mainly used for the Company's operation. For the details of the issuance of asset-back securities, please refer to the supplement notice of annual general meeting of the Company dated June 5, 2020 and an announcement of the Company dated September 9, 2020.

34. SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

35. AUDITORS

There has been no change in auditors since the Listing Date. The consolidated financial statements of the Company for the Reporting Period contained in this annual report have been audited by KPMG, which will retire, and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

An ordinary resolution for re-appointment of KPMG (for issuance of audit report in accordance with the international standards) as the international auditors of the Company for the years 2021, and KPMG Huazhen LLP (for issuance of audit report in accordance with the standards in the PRC) as the domestic auditors of the Company for the years 2021 will be proposed at the forthcoming annual general meeting for Shareholders' approval.

36. COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Company is in compliance with applicable laws and regulations in material respects.

37. MATTERS LEGAL, LITIGATION AND ARBITRATION MATTERS

As at the end of the Reporting Period, the Company was not involved in any material litigation or arbitration. Nor were the Directors of the Company aware of any material litigation or claims that were pending or threatened against the Company.

38. SIGNIFICANT EVENTS AFTER REPORTING PERIOD

A formal approval granted from the China Securities Regulatory Commission (the "**CSRC**") on the application submitted by the Company to the CSRC regarding the H share full circulation has been received on February 7, 2020 (the "**Approval**"), pursuant to which the Company is allowed to convert up to an aggregate of 160 million domestic shares into overseas listed shares of the Company (the "**Converted H Shares**") for the listing thereof on the main board of the Stock Exchange. The Approval shall be valid for 12 months from February 2, 2021 to February 1, 2022.

As at the date of this annual report, the Company is in the course of obtaining the approval for the listing of and for the permission to deal in the Converted H Shares. Details and progress of the implementation plan of the conversion and listing of the Converted H Shares will be announced in due course as and when appropriate.

On behalf of the Board
DUAN Hongwei
Chairman
March 19, 2021

Report of the Board of Supervisors

During the Period, the Board of Supervisors duly performed its supervisory responsibilities, and safeguarded the legitimate interests of the Shareholders and the Company in accordance with the relevant rules and regulations under the Company Law of the PRC, the Articles of Association and the Rules of Procedure of the Board of Supervisors of the Company.

1. PARTICULARS OF MAJOR WORKS OF THE BOARD OF SUPERVISORS

1.1 Meetings of the Board of Supervisors

During the Reporting Period, the Board of Supervisors convened three meetings, details of which are as follows:

(1) On March 30, 2020, the Board of Supervisors convened the third meeting of the first session of the Board of Supervisors. 5 resolutions were considered and approved at the meeting, including the Financial Report for 2019, the Annual Report for 2019 and the Annual Results Announcement for 2019 formed according to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the 2020 Financial Budget Plan, the 2019 Profit Distribution Plan and the Report of the Board of Supervisors for 2019.

(2) On August 28, 2020, the Board of Supervisors convened the fourth meeting of the first session of the Board of Supervisors. 2 resolutions were considered and approved at the meeting, including the Interim Financial Report for 2020 and the o Interim Results Announcement for 2020 formed according to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

(3) On September 25, 2020, the Board of Supervisors convened the fifth meeting of the first session of the Board of Supervisors to consider and approve the relevant proposals on the purchase of H Shares of the Company by the senior management and employees of the Company through the collective investment scheme and the proposed adoption of share appreciation rights incentive plan and grant scheme.

1.2 The Board of Supervisors's Presence on Other Meetings of the Company

During the Reporting Period, the Supervisors attended eight Board meetings, 2019 annual general meeting and 2019 extraordinary general meeting, and had no objection against the contents of reports and proposals submitted by the Board to the general meetings of the Company for their consideration. The Board of Supervisors supervised the implementation of the resolutions proposed at the general meetings of the Company and considered that the Board was able to seriously execute the resolutions proposed at the general meetings of the Company.

1.3 Supervision on the Performance of Duties

The Board of Supervisors supervised the Board, the senior management of the Company and their members on their compliance with the laws and regulations and the Articles of Association, and the implementation of the resolutions of the general meetings of the Company and the Board and the regulatory opinions.

1.4 Financial Supervision

The Board of Supervisors strengthened the communication with external auditors and the senior management of the Company, supervised the Company's major financial decisions, and continued to track the implementation of business plans, focusing on the measures and results of refined financial management and information construction.

1.5 Supervision on Risk Management

During the Reporting Period, the Board of Supervisors continued to supervise the Company's risk status, comprehensively supervised the Company's business, assets and internal control risks, continuously tracked the Company's risk identification, risk analysis, risk response and risk monitoring systems, and strengthened the Company's risk management professional, scientific and standardized operation.

2. INDEPENDENT OPINIONS OF THE BOARD OF SUPERVISORS ON RELEVANT ISSUES

2.1 Compliant Operation

During the Reporting Period, the Board and the senior management of the Company continued to operate in compliance with the applicable laws and regulations, and the decision-making procedures complied with the applicable laws and regulations and the Articles of Association. Members of the Board and the senior management of the Company diligently and faithfully performed their duties, and the Board of Supervisors did not find any violation of laws and regulations, or any circumstance that contravened the interests of the Company in their performance of duties.

2.2 The Authenticity of Financial Report

During the Reporting Period, the financial report of the Company is prepared in accordance with the International Financial Reporting Standards and has been audited by KPMG, which reflected the actual financial position and operation results of the Company.

2.3 Use of Proceeds from Initial Public Offering

During the Reporting Period, the use of proceeds from the Company's fund raising activities was consistent with the purpose stated in the Prospectuses.

2.4 Connected Transactions

During the Reporting Period, the connected transactions of the Company were conducted on normal commercial terms. The Board of Supervisors did not find any circumstance that infringed upon the interests of the Company. The consideration, voting, disclosure and implementation of connected transactions complied with the applicable laws and regulations and the Articles of Association.

2.5 Information Disclosure

During the Reporting Period, the Company fulfilled its information disclosure obligation in compliance with the regulatory requirements and disclosed information in a timely and fair manner. Information disclosed was authentic, accurate and complete.

Save as disclosed above, the Board of Supervisors had no objection to any other matters during the Reporting Period.

On behalf of the Board of Supervisors
ZHANG Jian
Chairman of the Board of Supervisors
March 19, 2021

Environmental, Social and Governance Report

ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

This is the second environmental, social, and governance ("**ESG**") report of Zhongguancun Science-Tech Leasing Co., Ltd. (the "**Company**", or "**we**"). The purpose of this report is to report the social responsibility and the sustainability practices of the Company and its subsidiaries in 2020, as well as to respond to the material issues concerned by our key stakeholders. For more information on corporate governance of the Company, please refer to the "Corporate Governance Report" section in this annual report.

BASIS OF PREPARATION

This report is prepared by the Company in accordance with the materiality, quantitative, balance and consistency principles of Appendix 27 Environmental, Social and Governance Reporting Guides (the "**ESG Guide**") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited. This report complies with the "comply or explain" provisions of the ESG Guide, and correspondingly describes the environmental and social impacts of the Company's business and operational activities.

REPORTING SCOPE

The principal activities of the Company are offering efficient finance lease solutions and a variety of advisory services to satisfy technology and new economy companies' needs for financial services at different stages of their growth. This report covers the Company's overall environmental and social performances and selected key performance indicators for the period from January 1, 2020 to December 31, 2020 (the "**Reporting Period**"), unless otherwise stated.

STAKEHOLDER ENGAGEMENT AND MATERIALITY

In order to identify the most significant aspects for the Company and report it in this report, the Company regularly collects views and discusses ESG matters with stakeholders through a variety of channels, such as routine meetings and annual general meeting. During the Reporting Period, the Company has specifically engaged its directors, shareholders, senior management and frontline employees to gain further insights on ESG material aspects and challenges, and have identified the following top 5 material aspects:

1. Development and Training;
2. Product and Service Quality;
3. Labour Standards;
4. Occupational Health and Safety; and
5. Customer Service.

The Company aims to keep close communication with its stakeholders for the identified aspects and continues to improve its ESG performance and management on ESG-related risks for future business development. The demand in finance lease service continues to increase and market competition is fierce, the Company will put further effort on cultivating talents, increasing business capacity and continuously improving its own risk management mechanism.

READERS FEEDBACK

We attach great importance to your views on this report. If you have any inquiries or valuable comments on this report, welcome to contact us via email at ir@zgclease.com.

This report is prepared in both Chinese and English versions, where there is a discrepancy between the Chinese and English versions, the English version shall prevail.

Environmental, Social and Governance Report

A. ENVIRONMENTAL

A1. Emissions

With the nature of the business, the Company's operations were office based, all business and management were in compliance with the requirements of the Environmental Protection Law of the People's Republic of China ("**PRC**") (《中華人民共和國環境保護法》) and its related environmental impact was very minimal. Since the Company's daily operation rarely affect the environment, the Company has not established any policy and did not notice any incident of material non-compliance relating to air and greenhouse gas emissions, discharge into water and land, and the generation of hazardous and non-hazardous waste as required by the applicable laws and regulations.

A1.1. Emissions

Greenhouse gas emissions are also generated from electricity consumption from the Company's office operation. The Company aims to reduce electricity consumption in daily operation as the amount of indirect greenhouse gas emissions depend on the units of electricity consumed.

During the Reporting Period, employees of the Company attended business trips by plane, which generated an aggregate of 52.78 tons of carbon dioxide emissions.

A1.2. Greenhouse Gas Emissions

The greenhouse gas emissions in various scopes of the Company mainly come from fuel oil used by office vehicles (Scope 1), indirect emissions caused by purchased electricity (Scope 2) and employee business trips by plane (Scope 3).

Greenhouse gas	Emission amount in 2020	Emission amount in 2019	Emission density in 2020	Emission density in 2019
Carbon dioxide (CO_2) emission (Scope 1)	**16.42 tons**	21.42 tons	**0.14 tons per person**	0.20 tons per person
Carbon dioxide (CO_2) emission (Scope 2)	**68.60 tons**	66.70 tons	**0.57 tons per person**	0.61 tons per person
Carbon dioxide (CO_2) emission (Scope 3)	**52.78 tons**	44.15 tons	**0.40 tons per person**	0.40 tons per person
Total carbon dioxide (CO_2) emission equivalent	**137.8 tons**	132.27 tons	**1.15tons per person**	1.21 tons per person

Note: Emission factors were made with reference to the ESG Guide and its referred documentation as set out therein, unless stated otherwise.

During the Reporting Period, air pollutants mainly came from exhaust emissions of office vehicles by the Company.

Air pollutants	The amount generated in 2020	The amount generated in 2019	The density generated in 2020	The density generated in 2019
Nitrogen oxide (NO_x)	**27,435 grams**	57,363.05 grams	**228.63 grams per person**	521.48 grams per person
Sulfur oxide (SO_x)	**102.28 grams**	133.40 grams	**0.85 grams per person**	1.21 grams per person
Particulates (PM)	**2,628.8 grams**	5,496.48 grams	**21.91 grams per person**	49.97 grams per person

A1.3. Hazardous Waste

The major hazardous waste mainly includes waste ink cartridges and waste batteries, which are regularly recycled and properly disposed by third parties.

Hazardous waste	The amount generated in 2020	The amount generated in 2019	The density generated in 2020	The density generated in 2019
Waste batteries	14.98 kilograms	15.35 kilograms	0.12 kilograms per person	0.14 kilograms per person
Waste ink cartridges	76 pieces	90 pieces	0.63 pieces per person	0.82 pieces per person

A1.4. Non-hazardous Waste

The main non-hazardous waste generated during our daily operation is paper waste. In order to protect the privacy and safety of our customers, the Company added many shredders, and waste paper are recycled after crushing. Employees are reminded to practice save paper.

Non-hazardous waste	The amount generated in 2020	The density generated in 2020
Waste paper	612.95 kilograms	5.11 kilograms per person

The amount of waste paper is estimated at 20% of paper consumption. As the Company was listed on the Stock Exchange since January 2020, the Company did not measure the amount of waste paper generate in 2019.

A1.5. Measures to Mitigate Emissions

The Company's operations resulted in insignificant emissions.

We complied with the Atmospheric Pollution Prevention and Control Law of the PRC (《中華人民共和國大氣污染物防治法》), strictly requiring our drivers to comply with our business vehicle policy, controlled the vehicle purchase and standard for rational use of business vehicles, and reduced individual use of vehicles.

As a measure to mitigate emission and to increase productivity, business phone calls are encouraged for internal and external communications to reduce the need of business air trips.

During the Reporting Period, we were not subject to any punishments and legal proceedings resulting from violating environmental issues.

A1.6. Waste Handling and Reduction Initiatives

Non-hazardous waste from office is mainly paper being used for daily office operations such as documents printing and deliverables packaging. In order to protect the privacy of customers, the waste paper must be shredded before recycling.

Hazard waste from office mainly includes waste ink cartridges and waste batteries, which are regularly recycled and properly disposed by third parties. Waste reduction initiatives are encouraged among employees, such as adopting double-sided paper printing, and reusing single-side used printed paper. The Company shall review existing waste management at the work environment to promote better waste sorting and reduction practices.

A2. Use of Resources

During the Reporting Period, our resources usage mainly included water, electricity, gasoline for office vehicles and office paper. According to the Policy on the Efficient Use of Resources formulated by office building property management office, the Company reminds the employees to utilize resources responsibly and promote the awareness of energy conservation in the office.

A2.1 Energy Consumption

Resources usage	Consumption in 2020	Consumption in 2019	Per capita consumption in 2020	Per capita consumption in 2019
Total electricity consumption	**70,895.44 kWh**	68,895.44 kWh	**590.80 kWhs per person**	626.32 kWhs per person
Gasoline consumption	**6,958 liters**	9,074.38 liters	**57.98 Liters per person**	82.49 Liters per person
Office paper	**3.06 tons**	2.96 tons	**0.026 tons per person**	0.03 tons per person

A2.2. Water Consumption

The Company's business is operated in commercial buildings where water supply is solely controlled by the property management company. In this case, it is not feasible for the Company to provide water consumption data as there is no sub-meter to record the data.

A2.3. Energy Use Efficiency Initiatives

We have made corresponding regulations on office electricity consumption and other aspects, including:

– Only switch on computers, printers, fax machines, photocopiers and other equipment when we use or set in the automatic energy-saving mode, in order to reduce the time of standby or prevent them from being in standby mode for a long time. After work, we shut down the power of all kinds of electric appliances.

– Set appropriate temperature of air-conditioners. Set the indoor temperature of air-conditioners at not lower than 26℃ during summer and not higher than 20℃ during winter. Make sure that the air-conditioner remains turn-off when no one is around; the windows and doors are closed when the air-conditioner is on; turn off the air conditioning system after work. The fan coil, filter and other devices of air-conditioner systems were cleaned regularly in order to improve the energy efficiency.

The Company promotes to implement a paperless office. Drafting, revising and circulating documents and materials should be done through office software, e-mail and other electronic means, in order to prevent printing out papers and using faxes as much as possible. In terms of issuing hard-copy documents and materials, we strictly limit the number of copies issued to avoid overprinting and encourage double-sided printing.

A2.4. Water Use Efficiency Initiatives

Water was supplied by the office's building management company and there was no issue in sourcing water that is fit for purpose. Employees are reminded to save water.

A2.5 Packaging Materials

As the principal activities of the Company are offering efficient finance lease solutions and a variety of advisory services, the Company did not generate any packaging materials during its principal activities.

A3. The Environment and Natural Resources

The Company is committed to conducting its business responsibly, ensuring that its business does not contribute significant adverse impact to the environment and society while bringing sustainable growth and profit. As the Company's business does not generate significant adverse impact on the environment and natural resources, no policy on minimizing the Company's significant impact on the environment and natural resources have been established. Nevertheless, employees are reminded to include potential environmental impacts as one of considerations for approving the projects.

A3.1. Significant Impacts of Activities on the Environment and Natural Resources

Although the Company's business does not generate significant adverse impact on the environment and natural resources as compared with businesses in other sectors, the Company is committed to reduce greenhouse gas emissions and preserve natural resources by promoting a culture of save energy where paper waste and non-crucial business travel are not encouraged.

B. SOCIAL

1. Employment and Labor Practices

B1. Employment

The Company follows the principle of equality, voluntariness and consensus, strictly complies with the Labor Law of the PRC (《中華人民共和國勞動法》) (hereinafter referred to as the "**Labor Law**"), the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) and other relevant laws and regulations, concludes legal and effective labor contracts with employees. The Company has formulated the Management Measures for Employee Recruitment (《員工招聘錄用管理辦法》) and the Management Measures for Probation Period (《試用期管理辦法》) to carry out recruitment work. We have strict control in the formulation of the recruitment plan, the determination of recruitment standards, written examination, interview, employment, probation management and assessment, to ensure fair procedures and precise operation.

In accordance with the Labor Law and the Labor Dispute Mediation and Arbitration Law of the PRC (《中華人民共和國勞動爭議調解仲裁法》), the Company has formulated the Regulations on Management of Resignation (《離職管理規定》), which standardized the response process of various types of resignation and the interest protection measures of relevant parties.

The Company did not notice any incident of material non-compliance in relation to employment, relating to compensation and dismissal, recruitment, and promotion, working hours, rest periods, equal opportunities, diversity, anti-discrimination, and other benefits and welfare, during the Reporting Period.

The Company had a total number of 120 employees as at December 31, 2020 (110 employees in 2019), all of which were from the PRC and located in Beijing.

Workforce	Unit	2020	2019
By Employment Type			
Full-time	Person	120	110
Part-time	Person	0	0
By Gender			
Female	Person	53	49
Male	Person	67	61
By Employee Category			
Senior Management	Person	7	7
Middle Management	Person	16	24
Frontline and Other Employees	Person	97	79
By Age Group			
35 or under	Person	79	73
36-54	Person	41	37
55 or above	Person	0	0
By Academic Qualification			
Master or above	Person	76	65
Bachelor	Person	43	44
Junior college graduate or below	Person	1	1

A total of 12 employees left the Company during the Reporting Period (turnover rate:10%) who were all full-time employees in the PRC. (A total of 4 employees left the Company in 2019, turnover rate is 3.6%)

Turnover	Unit	2020	2019
By Gender			
Female	Percentage	9.4	6
Male	Percentage	10.4	2
By Employee Category			
Senior Management	Percentage	0	0
Middle Management	Percentage	6.3	0
Frontline and Other Employees	Percentage	11.3	5
By Age Group			
35 or under	Percentage	7.6	4
36-54	Percentage	14.6	3
55 or above	Percentage	0	0
By Academic Qualification			
Master or above	Percentage	7.9	5
Bachelor	Percentage	14	1
Junior college graduate or below	Percentage	0	0

We place great emphasis on and protect the legitimate rights of employees, and strictly comply with the Labor Law and relevant laws and regulations in determining wages of employees. During the Reporting Period, the salaries payment and other operations of the Company complied with the requirements of systems and procedures. The Company has formulated the Administrative Measures for Employees Attendance (《考勤與休假管理辦法》) in compliance with the Labor Law and relevant local requirements and taking into account practical situation, to make sure employees' lawful rights of rest and annual leave are safeguarded, employees are also entitled to statutory leave, annual leave, maternity leave and marriage leave.

In addition, the Company pays social insurances and housing provident fund for all types of employees in strict compliance with the Payment of Wages Tentative Provisions (《工資支付暫行規定》), the Regulations on Management of Housing Provident Fund (《住房公積金管理條例》) and relevant laws and regulations. Apart from statutory benefits, the Company continues to implement middle- and long-term plans for talent incentive mechanism, and improves supplementary pension insurance scheme for the employees, and additional medical insurance scheme for the employees. The Company values employees' wellbeing by offering team building activities, annual medical check, daily meal and birthday allowances.

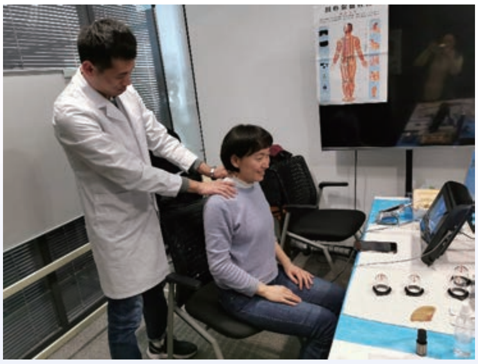
The Company strictly complies with the Labor Law and provides equal opportunities for employees in terms of recruitment, training and development, career progression, compensation, benefits and termination of contract. Employees are not discriminated against or deprived of opportunities on the basis of gender, ethnic, background, religion, colour, age, marital status, family status, retirement, physical conditions, pregnancy, political connection, sexual orientation or any other discrimination prohibited by the applicable laws of the PRC.

B2. Health and Safety

The Company attaches great importance to humanistic care by caring for our employees' physical and mental health and striving to create a safe, healthy and comfortable working environment for employees. Based on the statutory welfare benefits and according to Social Security Law of the PRC (《中華人民共和國社會保障法》), the Company established a welfare benefit system with multiple dimensions and levels, covering supplementary medical insurance, supplementary pension, personal accident insurance, diversified group insurance, health checks and health lectures, to ease the physical and mental pressure of employees, alleviate their concerns, and enhance their sense of belongings and happiness. During the Reporting Period, there was no case of work-related injury or fatalities occurred.

The Company takes the work of helping and delivering warmth to employees in sudden difficulties as the focus of caring for employees, and carries out specific work around helping employees in difficulty, workers' home, employee reading corner, maternal and child care room, trade union benefits, birthday greetings, etc.

The Company continues to strengthen the construction of corporate culture and actively carry out rich and colorful cultural and sports activities. To fully respond to the needs of employees, the theme activity of Talent show and Cooking show to welcome the Women's Day, Prize essay to celebrate the Company's eighth anniversary celebration, Autumn team running activities of financial institutions (《金融機構秋季團隊跑》) and Ice and Snow New Year concert (《冰雪之約新年音樂會》) etc. and invited doctors of Health Research Institute of traditional Chinese Medicine (《中醫健康研究院》) to carry out sub-health diagnosis and treatment activities for employees to guide employees to shape their professional and fine appearance.



B3. Development and Training

The Company has established a training system providing equal opportunities for all employees in terms of training and career development. In order to strengthen the management of employee education and training, the Company has formulated the Measures for Employee Training (《員工培訓管理辦法》) and the Implementation Rules for Measures for Employee Training (《員工培訓管理辦法實施細則》). The Company adheres to the principle of "People-oriented and Talents Come First", and always pays attention to the career development and personal growth of our employees.

The Company provided face-to-face lectures, corporate retreat, and online training platform for employees from different levels and types, thereby boosting employees' growth and assisting them in working out short, medium and long-term targets and directions by focusing on the job career planning and talent pool management of employees.

In order to enhance the talent pool for the Company, and to cultivate advanced talents for the development of finance lease service, the Company has developed a various levels of employee training on, among others, business capability and management skills. At the same time, we invited industrial experts to give dedicated trainings on various topics.

During the Reporting Period, a total of 12,317 training hours was completed by 120 employees. (a total of 3,385 training hours was completed in 2019)

Development and Training	Unit	2020	2019
Percentage of Employees Trained by Employee Category			
Senior Management	Percentage	**100**	100
Middle Management	Percentage	**100**	100
Frontline and Other Employees	Percentage	**100**	100
Percentage of Employees Trained by Gender			
Female	Percentage	**100**	100
Male	Percentage	**100**	100
Average Training Hours Completed per Employee by Employee Category			
Senior Management	Hour	**105**	22
Middle Management	Hour	**106**	26
Frontline and Other Employees	Hour	**102**	33
Average Training Hours Completed per Employee by Gender			
Female	Hour	**101**	31
Male	Hour	**104**	30

B4. Labor Standards

The Company strictly complies with the Labour Laws. There was no employment of child labor or forced labor in the Company's operation during the Reporting Period. Personal identification documents, relevant certificates and past working experience of job candidates must be checked and reviewed by the Company during recruitment process to avoid recruitment of child labor.

2. Operating Practices

B5. Supply Chain Management

Suppliers related to financial services were engaged during the Reporting Period and they are mainly based in Beijing. The Company has always adhered to the supply chain management policy of "laying equal stress on quality and efficiency" and standardized the management of supplier selection to ensure that the purchased materials meet quality standards. We has formulated the Procurement Management Measures of Zhongguancun Science-Tech Leasing Co., Ltd. (《中關村科技租賃股份有限公司採購管理辦法》), which stipulates open and transparent procurement process, equal treatment to all suppliers and strict confidentiality of sensitive and classified information involved in the procurement process. Following the selection of suppliers, we will oversee the performance of suppliers on an ongoing basis. If there are issues concerning the quality, environment and social responsibility, we will consider to terminate cooperation with them. There were no major changes in practices in relation to supply chain management during the Reporting Period.

B6. Product Responsibility

During the Reporting Period, the Company did not notice any incident of material non-compliance regarding health and safety, advertising, labeling and privacy matters relating to products and services provided as required by related laws and regulations. There were no recalls or complaints received related to products and service provided.

The Company has established a policy for leasing business, so as to standardize the operating procedures, minimize operational risk, improve product and service quality and consistency, and to identify responsibility, rights and interests involved throughout the business.

The Company attaches great importance to the protection of intellectual property, such as registered trademarks and company website. There was no infringement of intellectual property rights during the Reporting Period. Only licensed software is allowed to be used at work.

Moreover, the Company handles significant amount of personal data and credit information of customers. The Company has established an independent information system department to take responsibility for the network security and information maintenance of daily business operations. During the Reporting Period, the Company did not receive any complaints on the violation of customer privacy from external or regulatory institutions.

B7. Anti-corruption

In terms of the integrity related risk, the Company strictly abides by the Company Law of the PRC (《中華人民共和國公司法》), the Anti-money laundering Law of the PRC (《中華人民共和國公司法》), the Interim Provisions on Banning Commercial Bribery (《關於禁止商業賄賂行為的暫行規定》) and other laws and regulations on anti-bribery, blackmail and money-laundering.

We have internally formulated the Management Rules on Anti-bribery (《反賄賂管理制度》), the Management Rules on Anti-Fraud (《反舞弊制度》), the Management Rules on Anti-money Laundering (《反洗錢管理制度》) and the Management Rules on Internal Supervision and Reporting (《內部監督舉報管理辦法》), etc., with focus on crucial areas and stages, so as to promote the strengthening the integrity related risk prevention and control mechanism of the Company.

We have set up a special mailbox and e-mail for complaints and reporting to provide the public with various reporting channels. There was no concluded legal case regarding corruption practices brought against the Group or its employees during the Reporting Period.

Anti-Corruption education activities in 2020:

– the responsibility system of the party construction and restrict corruption, signing the letter of responsibility for the party construction and restrict corruption (《黨風廉政建設責任書》) and letter of responsibility for the Honest Employment of employees (《員工廉潔從業責任書》)with the Company's employees

– Different types of seminar

– Reminding text messages on important holidays

– Democratic life meeting

B8. *Community Investment*

As a socially responsible company, the Company actively involves in community development and charity activities, and encourages and leads its employees to participate in volunteer services, with real love to help people in need.

The Company continuously participated in the activity of helping Yaojiazhuang Village, Gaoqiang Township, Yangyuan County, Zhangjiakou City, Hebei Province. During the Reporting Period, the Company encouraged employees to buy agricultural products from poor villages, contributing to the development of local industries.

The Company participated in the "Love Package" project of China Foundation for Poverty Alleviation (中國扶貧基金會), donating 80 warm bags (including down jacket and other winter warm products) to poor students in Ningxia, Gansu and other places.

The Company actively supported Beijing's aid program in Xinjiang, donating 200,000 yuan to support the poverty alleviation work in Moyu County, Hotan, Xinjiang.

Independent Auditor’s Report

Independent auditor’s report to the shareholders of
Zhongguancun Science-Tech Leasing Co., Ltd.
*(incorporated in People’s Republic of China (the “**PRC**”) with limited liability)*

OPINION

We have audited the consolidated financial statements of Zhongguancun Science-Tech Leasing Co., Ltd. (the “**Company**”) and its consolidated structured entities (the “**Group**”) set out on pages 141 to 236, which comprise the consolidated statement of financial position as at December 31, 2020, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 December 31, 2020 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 Hong Kong Standards on Auditing (“**HKSAs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). 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 HKICPA’s Code of Ethics for Professional Accountants (the “**Code**”) together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the PRC, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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.

KEY AUDIT MATTERS (continued)

Allowances for impairment losses of finance lease receivables	
Refer to the accounting policies in "Note 1(i)(v) to the consolidated financial statements: Credit losses and impairment of assets", "Note 2 to the consolidated financial statements: Accounting judgement and estimates" and "Note 15 to the consolidated financial statements: Finance lease receivables".	
The Key Audit Matter	**How the matter was addressed in our audit**
The Group uses the expected credit loss ("**ECL**") model to calculate the loss allowance in accordance with IFRS 9, Financial instruments ("**IFRS 9**"). The Group classifies finance lease receivables into three stages and recognises an impairment allowance based on the expected credit loss for the next 12 months or the entire lifetime of the receivable, depending on whether credit risk on that receivable has increased significantly since initial recognition and whether a receivable is considered to be credit-impaired respectively. The determination of allowances for impairment losses using the ECL model is subject to a number of key parameters and assumptions, including the identification of the three stages of ECL model, estimates of probability of default, loss given default, exposures at default, adjustments for forward-looking information and other adjustment factors. Management judgement is involved in the selection of those parameters and the application of the assumptions.	Our audit procedures to assess allowances for impairment losses of finance lease receivables included the following: • understanding and assessing the design, implementation and operating effectiveness of key internal controls of financial reporting over the approval, recording and monitoring of finance lease receivables, the identification of the three stages of ECL model, and the measurement of impairment loss allowances; • assessing the reliability of the ECL model used by management in determining allowances for impairment losses, and the appropriateness of the key parameters and assumptions in the ECL model, which includes the identification of the three stages of ECL model, probability of default, loss given default, exposure at default, adjustments for forward-looking information and other management adjustments;

KEY AUDIT MATTERS (continued)

Allowances for impairment losses of finance lease receivables	
Refer to the accounting policies in "Note 1(i)(v) to the consolidated financial statements: Credit losses and impairment of assets", "Note 2 to the consolidated financial statements: Accounting judgement and estimates" and "Note 15 to the consolidated financial statements: Finance lease receivables".	
The Key Audit Matter	**How the matter was addressed in our audit**
We identified the impairment of finance lease receivables as a key audit matter because of the inherent uncertainty and management judgement involved and because of its significance to the financial results and capital of the Group.	• assessing the completeness and accuracy of data used for the key parameters in the ECL model: • for key parameters derived from internal data relating to the finance lease agreements, by selecting samples and comparing individual finance lease receivables information with the underlying agreements and other related documentation to assess the accuracy of compilation of the finance lease receivables list; • for key parameters involving judgement, by seeking evidence from external sources and comparing to the Group's internal records including historical loss experience and type of collateral and leased asset. As part of these procedures, we challenged management's revisions to estimates and input parameters compared with prior period and considered the consistency of judgement. We compared the economic factors used in the models with market information to assess whether they were aligned with market and economic development.

KEY AUDIT MATTERS (continued)

Allowances for impairment losses of finance lease receivables	
Refer to the accounting policies in "Note 1(i)(v) to the consolidated financial statements: Credit losses and impairment of assets", "Note 2 to the consolidated financial statements: Accounting judgement and estimates" and "Note 15 to the consolidated financial statements: Finance lease receivables".	
The Key Audit Matter	**How the matter was addressed in our audit**
	• for selected samples of finance lease receivables that are credit-impaired, evaluating management's assessment of the value of any property collateral held by comparison with market prices based on the location and use of the property and the prices of neighbouring properties. We also evaluated the timing and means of realisation of collateral and leased asset, evaluated the forecast cash flows, challenged the viability of the Group's recovery plans and evaluated other credit enhancements that are integral to the contract terms; • recalculating the amount of credit losses for 12 month and life time credit losses using the ECL model based on the above parameters and assumptions for a sample of finance lease receivables where the credit risk of the finance lease receivables has not, or has, increased significantly since initial recognition, respectively; and • evaluating whether the disclosures on allowances for impairment losses of finance lease receivables meet the disclosure requirements in the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made solely to you, as a body, 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 HKSAs 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 HKSAs, we exercise professional judgement and maintain professional scepticism 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.

- Conclude on the appropriateness of the 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.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

- 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.

We communicate with the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, 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 Wong Yuen Shan.

KPMG
Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

March 19, 2021

Consolidated Statements of Profit or Loss

For the year ended December 31, 2020
(Expressed in Renminbi ("**RMB**"))

	Note	2020 RMB'000	2019 RMB'000
Interest income		**480,944**	420,698
Advisory fee income		**106,621**	94,642
Revenue	3	**587,565**	515,340
Other net income	4	**19,079**	18,759
Interest expense	5	**(232,839)**	(220,978)
Operating expense	6	**(116,141)**	(100,190)
Impairment losses charged	7	**(44,467)**	(27,768)
Share of losses of associates		**(1,687)**	(265)
Net foreign exchange gains/ (losses)		**3,999**	(12)
Profit before taxation		**215,509**	184,886
Income tax expense	8	**(54,043)**	(46,630)
Profit for the year		**161,466**	138,256
Attributable to:			
Equity shareholders of the Company		**161,466**	138,256
Profit for the year		**161,466**	138,256
Basic and diluted earnings per share (in RMB)	11	**0.12**	0.14

The notes on pages 149 to 236 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 23(e).

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2020
(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Profit for the year		**161,466**	138,256
Other comprehensive income for the year (after tax and reclassification adjustments)	12		
Items that will not be reclassified to profit or loss:			
– Equity investments at fair value through other comprehensive income			
– net movement in fair value reserves (non-recycling)		**371**	1,239
Total comprehensive income for the year		**161,837**	139,495
Attributable to:			
Equity shareholders of the Company		**161,837**	139,495
Total comprehensive income for the year		**161,837**	139,495

The notes on pages 149 to 236 form part of these financial statements.

Consolidated Statements of Financial Position

As at December 31, 2020
(Expressed in RMB)

	Note	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Non-current assets			
Property and equipment	13	13,037	22,348
Intangible assets	14	10,305	6,394
Finance lease receivables	15	3,431,726	2,966,628
Financial assets at fair value through other comprehensive income	16	11,521	11,026
Interest in associates	17	72,328	49,515
Other assets	18	544	16
Deferred tax assets	19(b)	53,224	43,621
		3,592,685	3,099,548
Current assets			
Finance lease receivables	15	3,950,430	3,457,499
Other assets	18	70,836	138,268
Pledged and restricted deposits		137,830	41,564
Cash and cash equivalents	20	413,273	252,106
		4,572,369	3,889,437
Current liabilities			
Borrowings	21	3,068,052	2,649,676
Income tax payable	19(a)	26,319	14,494
Trade and other liabilities	22	1,301,405	639,975
		4,395,776	3,304,145
Net current assets		176,593	585,292
Total assets less current liabilities		3,769,278	3,684,840
Non-current liabilities			
Borrowings	21	1,084,994	1,508,706
Trade and other liabilities	22	768,469	783,878
		1,853,463	2,292,584
NET ASSETS		1,915,815	1,392,256

The notes on pages 149 to 236 form part of these financial statements.

Consolidated Statements of Financial Position

As at December 31, 2020
(Expressed in RMB)

	Note	December 31, 2020 RMB'000	December 31, 2019 RMB'000
CAPITAL AND RESERVES	23		
Share/paid-in capital		**1,333,334**	1,000,000
Reserves		**582,481**	392,256
Total equity attributable to equity shareholders of the Company		**1,915,815**	1,392,256
TOTAL EQUITY		**1,915,815**	1,392,256

Approved and authorised for issue by the board of directors on March 19, 2021.

DUAN Hongwei
Chairman

HE Rongfeng
General manager

The notes on pages 149 to 236 form part of these financial statements.

Consolidated Statements of Changes in Equity

For the year ended December 31, 2020
(Expressed in RMB)

		Attributable to equity shareholders of the Company						
	Note	Share/ paid-in capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Fair value reserve RMB'000	General reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At January 1, 2020		1,000,000	252,761	13,814	1,239	–	124,442	1,392,256
Changes in equity for 2020:								
Profit for the year		–	–	–	–	–	161,466	161,466
Other comprehensive income		–	–	–	371	–	–	371
Total comprehensive income		–	–	–	371	–	161,466	161,837
Issue of H shares	23(b)(c)	333,334	78,388	–	–	–	–	411,722
Appropriation to statutory reserve	23(d)(i)	–	–	16,122	–	–	(16,122)	–
Appropriation to general reserve	23(d)(iii)	–	–	–	–	110,470	(110,470)	–
Dividends approved in respect of the previous year	23(e)	–	–	–	–	–	(50,000)	(50,000)
At December 31, 2020		1,333,334	331,149	29,936	1,610	110,470	109,316	1,915,815

The notes on pages 149 to 236 form part of these financial statements.

Consolidated Statements of Changes in Equity

For the year ended December 31, 2020
(Expressed in RMB)

		Attributable to equity shareholders of the Company						
	Note	Share/ paid-in capital RMB'000	Capital reserve RMB'000	Surplus reserve RMB'000	Fair value reserve RMB'000	General reserve RMB'000	Retained profits RMB'000	Total equity RMB'000
At January 1, 2019		1,000,000	–	45,396	4,780	43,707	193,878	1,287,761
Changes in equity for 2019:								
Profit for the year		–	–	–	–	–	138,256	138,256
Other comprehensive income		–	–	–	1,239	–	–	1,239
Total comprehensive income		–	–	–	1,239	–	138,256	139,495
Appropriation to statutory reserve	23(d)(i)	–	–	13,814	–	–	(13,814)	–
Dividends approved in respect of the previous year	23(e)	–	–	–	–	–	(35,000)	(35,000)
Conversion into joint stock company	23(c)	–	252,761	(45,396)	(4,780)	(43,707)	(158,878)	–
At December 31, 2019		1,000,000	252,761	13,814	1,239	–	124,442	1,392,256

The notes on pages 149 to 236 form part of these financial statements.

Consolidated Cash Flows Statements

For the year ended December 31, 2020
(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Profit before taxation		**215,509**	184,886
Adjustments for:			
Share of losses of associates		**1,687**	265
Interest expense	5	**198,285**	220,978
Depreciation and amortisation	6(b)	**14,164**	11,378
Impairment losses charged	7	**44,467**	27,768
Foreign exchange gain		**(4,066)**	–
Operating profit before changes in working capital		**470,046**	445,275
Changes in working capital			
Increase in pledged and restricted deposits		**(96,266)**	(14,326)
Increase in finance lease receivables		**(1,002,753)**	(1,076,113)
Decrease in trade and other receivables		**68,653**	88,879
Increase in trade and other liabilities		**649,489**	49,183
Cash used in operations		**89,169**	(507,102)
PRC income taxes paid	19(a)	**(51,945)**	(52,372)
Net cash generated from/ (used in) operating activities		**37,224**	(559,474)
Investing activities			
Proceeds from disposal and redemption of investments		**731**	317,696
Payments on investment in associates		**(24,500)**	(49,780)
Payments on other investments		**–**	(317,742)
Payment for purchase of equipment and intangible assets		**(10,146)**	(5,257)
Net cash used in investing activities		**(33,915)**	(55,083)

The notes on pages 149 to 236 form part of these financial statements.

Consolidated Cash Flows Statements

For the year ended December 31, 2020
(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Financing activities			
Proceeds from borrowings	20(b)	**3,662,822**	3,950,811
Proceeds from issue of H shares		**447,286**	–
Capital element of lease rentals paid	20(b)	**(12,167)**	(13,648)
Repayment of borrowings	20(b)	**(3,668,714)**	(3,111,229)
Interest element of lease rentals paid	20(b)	**(774)**	(1,040)
Payments for listing expenses		**(17,729)**	(17,835)
Interest paid	20(b)	**(191,937)**	(203,443)
Other borrowing costs paid	20(b)	**(10,864)**	(8,573)
Dividends paid to equity shareholders of the Company	23(e)	**(50,000)**	(35,000)
Net cash generated from financing activities		**157,923**	560,043
Foreign exchange loss		**(65)**	–
Net increase/ (decrease) in cash and cash equivalents		**161,167**	(54,514)
Cash and cash equivalents at the beginning of the year		**252,106**	306,620
Cash and cash equivalents at the end of the year	20(a)	**413,273**	252,106

The notes on pages 149 to 236 form part of these financial statements.

Notes to the Financial Statements

December 31, 2020
(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

Zhongguancun Science-Tech Leasing Co., Ltd. (the "**Company**"), formerly known as Zhongguancun Science-Tech Leasing Ltd., was established as a limited liability company in Beijing, the People's Republic of China (the "**PRC**"). On August 16, 2019, the Company was converted into a joint stock limited liability company and was renamed to Zhongguancun Science-Tech Leasing Co., Ltd. On January 21, 2020, the Company's H shares were listed on the Hong Kong Stock Exchange.

These financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board (the "**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended December 31, 2020 comprise the Company and its consolidated structured entities (see Note 29) (together referred to as the "**Group**") and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that that financial assets at fair value through other comprehensive income ("**FVOCI**"), are stated at fair value as explained in Note 1(i).

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. 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.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to these financial statements for the current accounting period:

- Amendments to IFRS 3, Definition of a Business
- Amendment to IFRS 16, Covid-19-Related Rent Concessions

Other than the amendment to IFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are disclosed below:

Amendments to IFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

As the Group did not enter into any acquisition during the reporting period, the amendments have no impact on the Group's financial report.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Changes in accounting policies (Continued)

Amendment to IFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the reporting period. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see Note 13). There is no impact on the opening balance of equity at January 1, 2020.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities (including structured entities) controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealized profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealized losses resulting from intra-group transactions are eliminated in the same way as unrealized gains but only to the extent that there is no evidence of impairment.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Subsidiaries and non-controlling interests (Continued)

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company. Loans from holders of non-controlling interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated statement of financial position in accordance with Note 1(i) depending on the nature of the liability.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(i)) or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 1(e)).

In the Company's statement of financial position, an investment in a consolidated structured entity is stated at cost less impairment losses (see Note 1(o)), unless the investment is classified as held for sale.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Note 1(o)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the year are recognised in the consolidated statements of profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statements of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate (after applying the ECL model to such other long-term interests where applicable (see Note 1(i)(v)).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Associates (Continued)

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 1(i)).

(f) Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(o)).

Gains or losses arising from the retirement or disposal of an item of property and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost of items of property and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– The Group's leased assets are depreciated over the shorter of the unexpired term of lease and the leased assets' estimated useful lives.

– Electronic equipment	3 years
– Office equipment	5 years
– Others	5 – 10 years

Where parts of an item of property and equipment have different useful lives, the cost is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Intangible assets

Intangible assets that are acquired by the Group are stated at cost less accumulated amortization (where the estimated useful life is finite) and impairment losses (see Note 1(o)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortization of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible asset with finite useful life is amortised from the date it is available for use and its estimated useful life is as follows:

	Estimate useful lives
Software	2 – 10 years

Both the period and method of amortization are reviewed annually.

(h) Leases assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases assets (Continued)

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Note 1(o)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases assets (Continued)

(i) As a lessee (Continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("**lease modification**") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in IFRS 16, Leases. In such cases, the Group took advantage of the practical expedient set out in IFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases assets (Continued)

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis.

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 1(h)(i), then the Group classifies the sub-lease as an operating lease.

(i) Financial instruments

(i) Recognition and initial measurement

Financial instruments are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVTPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see Note 25(d). These investments are subsequently accounted for as follows, depending on their classification.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(ii) Classification and subsequent measurement

Classification of financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost, FVOCI or FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest ("**SPPI**").

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

For equity investment not held for trading, the Group may irrevocably designate it as financial asset at FVOCI upon initial recognition. The designation is made on an individual basis and the investment is in line with the definition of the equity instrument from the issuer's perspective.

All other financial assets are classified as measured at FVTPL.

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing financial assets.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Subsequent measurement of financial assets

Financial assets at FVTPL

These financial assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss unless the financial assets are part of a hedging relationship.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. A gain or loss on a financial asset that is measured at amortised cost and is not part of a hedging relationship shall be recognised in profit or loss when the financial asset is derecognised, through the amortisation process or in order to recognise impairment gains or losses.

Debt investments at FVOCI

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, impairment and foreign exchange gains and losses are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Equity investments at FVOCI

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to retained earnings.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Subsequent measurement of financial assets (Continued)

Classification and subsequent measurement of financial liabilities

The Group classifies financial liabilities into financial liabilities at amortised cost, which are subsequently measured at amortised cost using the effective interest method.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Credit losses and impairment of assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

- financial assets measured at amortised cost;
- finance lease receivables; and
- credit commitments.

Financial assets measured at FVTPL and equity securities designated at FVOCI (non-recycling) are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(v) Credit losses and impairment of assets (Continued)

Measurement of ECLs (Continued)

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– fixed-rate financial assets and trade and other receivables: effective interest rate determined at initial recognition or an approximation thereof;

– variable-rate financial assets: current effective interest rate;

– finance lease receivables: discount rate used in the measurement of the finance lease receivable;

– credit commitments: current risk-free rate adjusted for risks specific to the cash flows

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(v) Credit losses and impairment of assets (Continued)

Measurement of ECLs (Continued)

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within the 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

For finance lease receivables and other financial instruments (including credit commitments issued), the Group recognises an allowance for impairment losses equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial instrument since initial recognition, in which case the allowance for impairment losses is measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(v) Credit losses and impairment of assets (Continued)

Significant increases in credit risk (Continued)

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

– failure to make payments of principal or interest on their contractually due dates;

– an actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– an actual or expected significant deterioration in the operating results of the debtor; and

– existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

For credit commitments, the date of initial recognition for the purpose of assessing ECLs is considered to be the date that the Group becomes a party to the irrevocable commitment. In assessing whether there has been a significant increase in credit risk since initial recognition of a credit commitment, the Group considers changes in the risk of default occurring on the loan to which the credit commitment relates.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(v) Credit losses and impairment of assets (Continued)

Significant increases in credit risk (Continued)

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

Basis of calculation of interest income

Interest income recognised in accordance with Note 1(s)(i) is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on the amortised cost (i.e. the gross carrying amount less allowance for impairment losses) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial instruments (Continued)

(v) Credit losses and impairment of assets (Continued)

Basis of calculation of interest income (Continued)

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulties of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for a security because of financial difficulties of the issuer.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Fair value measurement

If there is an active market for a financial asset or financial liability, the quoted price in the active market without adjusting for transaction costs that may be incurred upon future disposal or settlement is used to establish the fair value of the financial asset or financial liability. For a financial asset held or a financial liability to be assumed, the quoted price is the current bid price. For a financial asset to be acquired or a financial liability assumed, it is the current asking price. The quoted prices from an active market are prices that are readily and regularly available from an exchange, broker, industry group or pricing service agency, and represent actual and regularly occurring market transactions on an arm's length basis.

If no active market exists for a financial instrument, a valuation technique is used to establish the fair value. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. Where discounted cash flow technique is used, future cash flows are estimated based on management's best estimates and the discount rate used is the prevailing market rate applicable for instrument with similar terms and conditions at the end of each reporting period. Where other pricing models are used, inputs are based on market data at the end of each reporting period.

In estimating the fair value of a financial asset and financial liability, the Group considers all factors including, but not limited to, risk-free interest rate, credit risk, foreign exchange rate and market volatility, that are likely to affect the fair value of the financial asset and financial liability.

The Group obtains market data from the same market where the financial instrument was originated or purchased.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset.

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 1(i)(v)).

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL in accordance with the policy set out in Note 1(i)(v).

(m) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities, trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(n) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 1(u)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of non-financial assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– property and equipment, including right-of-use assets;

– intangible assets; and

– interest in associates.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– *Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– *Recognition of impairment losses*

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use if determinable.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Impairment of non-financial assets (Continued)

– *Reversals of impairment losses*

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(p) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(ii) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and has no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as an employee benefit expense in profit or loss in the periods during which related services are rendered by employees.

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (Continued)

(iv) Share-based payment arrangements

The fair value of the amount payable to employees in respect of share appreciation rights ("**SARs**"), which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period during which the employees become unconditionally entitled to payment. The liability is remeasured at each reporting date and at settlement date based on the fair value of the SARs. Any changes in the liability are recognised in profit or loss.

(q) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (Continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax assets can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credit, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Income tax (Continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company and the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(r) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 1(i)(v)).

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue and other income (Continued)

(ii) Advisory fee income

Depending on the nature of advisory services and the contract terms, advisory fee income is recognised at a point in time when the advisory service is completed.

(iii) Government grants

Government grants are recognised in the consolidated statements of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the assets and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(t) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period.

(u) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

1 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Related parties (Continued)

(b) An entity is related to the Group if any of the following conditions applies: (Continued)

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(w) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

The directors have determined that the Group has only one single business component/reportable segment as the Group is principally engaged in providing finance leasing service which is the basis to allocate resources and assess performance of the Group.

2 ACCOUNTING JUDGEMENT AND ESTIMATES

In the process of applying the Group's accounting policies, management has made the following accounting judgements:

– Note 1(i)(ii): classification of financial assets: assessment of the business model within which the assets are held and assessment of whether the contractual terms of the financial asset are SPPI on the principal amount outstanding.

– Note 1(i)(v): establishing the criteria for determining whether credit risk on the financial asset has increased significantly since initial recognition, determining methodology for incorporating forward-looking information into measurement of ECL and selection and approval of models used to measure ECL.

– Deferred tax assets arising from deductible temporary differences are recognised to the extent that it is probable that future taxable income will be available against which deductible temporary differences and tax losses can be utilised. The outcome of their actual utilisation may be different.

– There are no quoted prices from an active market for FVOCI. The fair values for these financial instruments are established by using valuation techniques. These techniques include using recent arm's length market transactions by referring to the current fair value of similar instruments, discounted cash flow analysis. Valuation models established by the Group make maximum use of market input and rely as little as possible on the Group's specific data. The Group reviews the above estimations and assumptions periodically and makes adjustment if necessary.

3 REVENUE

The principal activities of the Group are providing finance lease services, and related advisory services to customers in the PRC. The Group has no lessee for the years ended December 31, 2020 and 2019, with whom transactions have exceeded 10% of the Group's aggregate revenues.

No segment information is presented as the Group is principally engaged in a single line of business. Revenue represents interest income and advisory fee net of value added taxes and other charges.

The amount of each significant category of revenue is as follows:

	Note	2020 RMB'000	2019 RMB'000
Interest income from finance leases		**480,944**	420,698
Advisory fee income	(i)		
– Management advisory fee income		**30,529**	23,885
– Policy advisory fee income		**76,092**	70,757
		587,565	515,340

Note:

(i) Advisory fee income arises from contracts with customers within the scope of IFRS 15, and is recognised at a point in time.

4 OTHER NET INCOME

	Note	2020 RMB'000	2019 RMB'000
Government grants	(i)	**13,194**	14,620
Interest from deposits		**5,297**	3,671
Investment income		**451**	–
Others		**137**	468
		19,079	18,759

Note:

(i) The government grants were mainly provided to reward enterprises who complete initial public offering in well-known overseas capital markets or support small and medium enterprises of leasing business. The grants were unconditional and were therefore recognised as income when received.

5 INTEREST EXPENSE

	2020 RMB'000	2019 RMB'000
Borrowings	**140,646**	113,703
Borrowings from related parties	**45,299**	68,131
Imputed interest expense on interest-free guaranteed deposits from lessees	**46,120**	38,104
Interest expense on lease liabilities	**774**	1,040
	232,839	220,978

6 OPERATING EXPENSE

Profit before taxation is arrived at after charging:

(a) Staff costs

	Note	2020 RMB'000	2019 RMB'000
Salaries, bonuses and allowances		**55,402**	50,656
Social insurance and other benefits		**12,247**	13,399
Cash-settled share-based payments	24(d)	**39**	–
Subtotal		**67,688**	64,055

(b) Other items

	2020 RMB'000	2019 RMB'000
Depreciation charge		
– owned equipment	**646**	271
– right-of-use assets	**11,296**	9,900
Amortisation cost of		
– intangible assets	**2,147**	1,166
– others	**75**	41
Auditor's remuneration	**2,453**	1,792
Other rental expenses	**2,289**	1,065

7 IMPAIRMENT LOSSES CHARGED

	Note	2020 RMB'000	2019 RMB'000
Finance lease receivables	15(b)	**44,724**	28,780
Credit commitments	22(a)	**(257)**	(1,012)
		44,467	27,768

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss:

	Note	2020 RMB'000	2019 RMB'000
Current tax			
– PRC Enterprise Income Tax ("**EIT**")			
Provision for the year		**63,770**	54,469
Deferred income tax			
– Origination of temporary differences	19(b)	**(9,727)**	(7,839)
		54,043	46,630

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS (CONTINUED)

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	Note	2020 RMB'000	2019 RMB'000
Profit before taxation		**215,509**	184,886
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned		**53,877**	46,221
Tax effect of non-deductible expenses		**228**	437
Others		**(62)**	(28)
Income tax expense for the year		**54,043**	46,630

Notes:

(i) The Company is subject to PRC EIT at the statutory rate of 25%. The consolidated structured entities are not subject to PRC EIT.

(ii) No provision for Hong Kong Profits Tax has been made for the Company and the consolidated structured entities as the Company and the consolidated structured entities have not derived any income subject to Hong Kong Profits Tax.

9 DIRECTORS' AND SUPERVISORS' REMUNERATION

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows

	2020					
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Cash-settled share-based payment RMB'000	Total RMB'000
Non-executive directors						
Duan Hongwei (段宏偉)	–	–	–	–	2	2
Lou Yixiang (婁毅翔)	–	–	–	–	–	–
Zhang Shuqing (張書清)	–	–	–	–	–	–
Li Peng (李鵬)	–	–	–	–	–	–
Executive directors						
He Rongfeng (何融峰)	–	699	1,661	–	2	2,362
Huang Wen (黃聞)	–	510	469	–	2	981
Independent non-executive directors						
Cheng Dongyue (程東躍)	–	15	–	–	–	15
Wu Tak Lung (吳德龍)	–	15	–	–	–	15
Lin Zhen (林禎)	–	15	–	–	–	15
Supervisors						
Zhang Jian (張健)	–	–	–	–	–	–
Tian Anping (田安平)	–	–	–	–	–	–
Fang Fang (方放)	–	–	–	–	–	–
Long Limin (龍利民)	–	–	–	–	–	–
Tong Chao (佟超)	–	550	209	–	–	759
Zhou Di (周迪)	–	330	332	–	–	662
Han Nana (韓娜娜)	–	294	114	–	–	408
Total	–	2,428	2,785	–	6	5,219

9 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	2019				
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Non-executive directors					
Duan Hongwei (段宏偉) (assigned on August 13, 2019)	–	–	–	–	–
Lou Yixiang (婁毅翔) (assigned on August 13, 2019)	–	–	–	–	–
Zhang Shuqing (張書清) (assigned on August 13, 2019)	–	–	–	–	–
Li Peng (李鵬)	–	–	–	–	–
Zhang Zhe (張哲) (resigned on August 13, 2019)	–	–	–	–	–
Yang Yanwen (楊彥文) (resigned on August 13, 2019)	–	–	–	–	–
Xu Junhua (許均華) (resigned on February 22, 2019)	–	–	–	–	–
Tian Anping (田安平) (resigned on August 13, 2019)	–	–	–	–	–
Chen Gang (陳剛) (resigned on August 13, 2019)	–	–	–	–	–
Dong Xiaoyu (董曉宇) (assigned on February 22, 2019 and resigned on August 13, 2019)	–	–	–	–	–
He Yuanping (何願平) (resigned on August 13, 2019)	–	–	–	–	–
Executive directors					
He Rongfeng (何融峰) (assigned on August 13, 2019)	–	290	–	–	290
Huang Wen (黃聞) (assigned on August 13, 2019)	–	212	–	–	212

9 DIRECTORS' AND SUPERVISORS' REMUNERATION (CONTINUED)

	2019				
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Independent non-executive directors					
Cheng Dongyue (程東躍) (assigned on September 20, 2019)	–	–	–	–	–
Wu Tak Lung (吳德龍) (assigned on August 29, 2019)	–	–	–	–	–
Lin Zhen (林禎) (assigned on August 29, 2019)	–	–	–	–	–
Supervisors					
Zhang Jian (張健) (assigned on August 13, 2019)	–	–	–	–	–
Tian Anping (田安平) (assigned on August 13, 2019)	–	–	–	–	–
Fang Fang (方放) (assigned on August 13, 2019)	–	–	–	–	–
Long Limin (龍利民) (assigned on August 13, 2019)	–	–	–	–	–
Tong Chao (佟超) (assigned on August 13, 2019)	–	234	–	–	234
Zhou Di (周迪) (assigned on August 13, 2019)	–	148	–	–	148
Han Nana (韓娜娜) (assigned on August 13, 2019)	–	132	–	–	132
Wei Tingquan (韋廷權) (resigned on August 13, 2019)	–	–	–	–	–
Chen Gang (陳剛) (resigned on August 13, 2019)	–	–	–	–	–
Liu Shouquan (劉守泉) (resigned on August 13, 2019)	–	606	300	–	906
Total	–	1,622	300	–	1,922

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, there were two directors (2019: two) and no supervisor (2019: one) of the Group for the year ended December 31, 2020, whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other three (2019: two) individuals are as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries, allowances and benefits in kind	**1,724**	1,344
Discretionary bonuses	**2,303**	600
Cash-settled share-based payment	**6**	–
Total	**4,033**	1,944

The emoluments of the other individuals with the highest emoluments are all within the following bands:

	2020 **Number of individuals**	2019 Number of individuals
Nil – HKD1,000,000	**–**	–
HKD1,000,001 – HKD1,500,000	**1**	2
HKD1,500,001 – HKD2,000,000	**2**	–

11 BASIC AND DILUTED EARNINGS PER SHARE

	2020	2019
Profit attributable to equity shareholders of the Company (RMB'000)	161,466	138,256
Weighted average number of ordinary shares (in thousands)	1,315,119	1,000,000
Basic and diluted earnings per share attributable to equity shareholders of the Company (in RMB per share)	0.12	0.14

There is no difference between basic and diluted earnings per share as there were no potentially dilutive shares outstanding for the years ended December 31, 2020 and 2019.

Weighted average number of ordinary shares (in thousands)

	2020	2019
Number of ordinary shares as at January 1	1,000,000	1,000,000
Increase in weighted average number of ordinary shares	315,119	–
Weighted average number of ordinary shares at December 31	1,315,119	1,000,000

12 OTHER COMPREHENSIVE INCOME

	2020			2019		
	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-Tax amount RMB'000	Before-tax amount RMB'000	Tax expense RMB'000	Net-of-Tax amount RMB'000
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	495	(124)	371	1,652	(413)	1,239

13 PROPERTY AND EQUIPMENT

	Properties leased for own use carried at cost RMB'000	Electronic equipment RMB'000	Office equipment RMB'000	Others RMB'000	Total RMB'000
Cost					
As at January 1, 2019	20,942	896	839	562	23,239
Additions	9,540	656	–	251	10,447
Disposals	–	(13)	(3)	(14)	(30)
As at December 31, 2019/ January 1, 2020	30,482	1,539	836	799	33,656
Additions	–	1,840	166	648	2,654
Disposals	–	(32)	–	–	(32)
As at December 31, 2020	30,482	3,347	1,002	1,447	36,278
Accumulated depreciation					
As at January 1, 2019	–	(703)	(428)	(34)	(1,165)
Charge for the year	(9,563)	(148)	(109)	(351)	(10,171)
Written back on disposals	–	12	2	14	28
As at December 31, 2019/ January 1, 2020	(9,563)	(839)	(535)	(371)	(11,308)
Charge for the year	(10,805)	(545)	(89)	(503)	(11,942)
Written back on disposals	–	9	–	–	9
As at December 31, 2020	(20,368)	(1,375)	(624)	(874)	(23,241)
Net carrying amount					
As at December 31, 2020	10,114	1,972	378	573	13,037
As at December 31, 2019	20,919	700	301	428	22,348

13 PROPERTY AND EQUIPMENT (CONTINUED)

(a) Right-of-use assets

The Group has obtained the right to use other properties as its office through tenancy agreements. During 2020 the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19. The amount of fixed lease payments for the year is summarised below:

	December 31, 2020			
	Fixed payments RMB'000	**Variable payments RMB'000**	**COVID-19 rent concessions RMB'000**	**Total payments RMB'000**
Rented office	**12,491**	**–**	**(364)**	**12,127**

	December 31, 2019			
	Fixed payments RMB'000	Variable payments RMB'000	COVID-19 rent concessions RMB'000	Total payments RMB'000
Rented office	11,151	–	–	11,151

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in Note 20(c) and Note 22(b), respectively.

As disclosed in Note 1(c), the Group has early adopted the Amendment to IFRS 16, Leases, Covid-19-Related Rent Concessions, and has applied the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the year.

14 INTANGIBLE ASSETS

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Cost		
At the beginning of the year	8,348	4,238
Additions	6,058	4,110
At the end of the year	14,406	8,348
Accumulated amortisation		
At the beginning of the year	(1,954)	(788)
Charge for the year	(2,147)	(1,166)
At the end of the year	(4,101)	(1,954)
Carrying amount		
At the beginning of the year	6,394	3,450
At the end of the year	10,305	6,394

Intangible assets mainly represent software.

15 FINANCE LEASE RECEIVABLES

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Minimum finance lease receivables		
Within one year	**4,518,655**	3,918,424
More than one year and not more than five years	**3,678,612**	3,204,484
Gross amount of finance lease receivables	**8,197,267**	7,122,908
Less: Unearned finance income	**(632,757)**	(561,151)
Net amount of finance lease receivables	**7,564,510**	6,561,757
Less: Allowances for impairment losses	**(182,354)**	(137,630)
Carrying amount of finance lease receivables	**7,382,156**	6,424,127
Present value of minimum finance lease receivables		
Not more than one year	**4,112,931**	3,556,390
More than one year and not more than five years	**3,451,579**	3,005,367
Total	**7,564,510**	6,561,757

Analysis for reporting purpose as:

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Non-current assets	**3,431,726**	2,966,628
Current assets	**3,950,430**	3,457,499
Total	**7,382,156**	6,424,127

15 FINANCE LEASE RECEIVABLES (CONTINUED)

The finance lease receivables with net amount of approximately RMB2,038.1 million and RMB2,487.9 million were pledged as collaterals for the Group's loan borrowings as at December 31, 2020 and 2019, respectively (see Note 21(i)).

The finance lease receivables with net amount of approximately RMB998.3 million and RMB1,094.8 million were pledged as collaterals for the Group's asset-backed securities as at December 31, 2020 and 2019, respectively (see Note 21(ii)).

Finance lease receivables are mainly secured by leased assets, lessees' deposits and leased assets repurchase arrangement where applicable.

Lessees' deposits are calculated and collected based on a certain percentage of the entire value of the lease contract. The deposits are returned to the lessees in full by end of lease period according to the terms of the lease contracts. The balance of the customers' deposits can also be applied and used to settle any outstanding lease payments for the corresponding lease contracts. As at December 31, 2020, the lessees' deposits of RMB1,015.2 million were pledged for related finance lease receivables (December 31, 2019: RMB962.3 million), see Note 22.

(Expressed in RMB unless otherwise indicated)

15 FINANCE LEASE RECEIVABLES (CONTINUED)

(a) Finance lease receivables and allowances for impairment losses:

	December 31, 2020			
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Net amount of finance lease receivables	**7,067,972**	**46,180**	**450,358**	**7,564,510**
Less: Allowances for impairment losses	**(35,826)**	**(1,989)**	**(144,539)**	**(182,354)**
Carrying amount of finance lease receivables	**7,032,146**	**44,191**	**305,819**	**7,382,156**

	December 31, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Net amount of finance lease receivables	6,074,976	74,616	412,165	6,561,757
Less: Allowances for impairment losses	(25,391)	(2,422)	(109,817)	(137,630)
Carrying amount of finance lease receivables	6,049,585	72,194	302,348	6,424,127

(Expressed in RMB unless otherwise indicated)

15 FINANCE LEASE RECEIVABLES (CONTINUED)

(b) Changes in allowance for impairment losses of finance lease receivables are as follows:

	December 31, 2020			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at January 1, 2020	**25,391**	**2,422**	**109,817**	**137,630**
Transfer:				
– to 12-month ECL	**15**	**–**	**(15)**	**–**
– to lifetime ECL not credit-impaired	**(296)**	**296**	**–**	**–**
– to lifetime ECL credit-impaired	**(498)**	**(2,051)**	**2,549**	**–**
Charge	**11,214**	**1,322**	**32,188**	**44,724**
Balance at December 31, 2020	**35,826**	**1,989**	**144,539**	**182,354**

	December 31, 2019			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at January 1, 2019	18,185	3,336	87,329	108,850
Transfer:				
– to 12-month ECL	36	–	(36)	–
– to lifetime ECL not credit-impaired	(359)	359	–	–
– to lifetime ECL credit-impaired	(757)	(3,211)	3,968	–
Charge	8,286	1,938	18,556	28,780
Balance at December 31, 2019	25,391	2,422	109,817	137,630

16 FINANCIAL ASSETS AT FVOCI

	Note	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Equity securities designated at FVOCI (non-recycling)			
– Unlisted equity securities	(i)	**11,521**	11,026

Notes:

(i) The unlisted equity securities are shares in Beijing Zhongguancun Synergetic Innovation Investment Fund Management Co., Ltd. (北京中關村協同創新投資基金管理有限公司), a company established in the PRC and engaged in investment management. The Group designated this investment at FVOCI (non-recycling), as the investment is held for strategic purposes. Dividends of RMB0.5 million were received on this investment in 2020.

17 INTEREST IN ASSOCIATES

The following list contains the particulars of associates, all of which are unlisted corporate entities or partnerships whose quoted market price is not available:

				Proportion of ownership interest		
Name of associate	Form of business structure	Place of incorporation and business	Particulars of issued and paid up capital	Group's effective interest	Held by the Company	Principal activity
Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. (北京中諾同創投資基金管理有限公司, "**Beijing Zhongnuo**")	Incorporated	PRC	RMB1.6 million	39%	39%	Investment management
Jiangsu Zhongguancun Zhongnuo Xietong Investment Fund (Limited Partnership) (江蘇中關村中諾協同投資基金合夥企業(有限合夥), "**Jiangsu Zhongnuo**")	Partnership	PRC	RMB150.0 million	49%	49%	Investment management

17 INTEREST IN ASSOCIATES (CONTINUED)

Beijing Zhongnuo was established in the PRC on April 23, 2019, of which the registered capital was RMB10.0 million. Jiangsu Zhongnuo was established in the PRC on November 11, 2019, of which the registered capital was RMB200.0 million. These investments enabled the Group to carry out investment management activities in the PRC.

All of the above associates are accounted for using the equity method in the consolidated financial statements.

Summarized financial information of the associates reconciled to the carrying amounts in the consolidated financial statements are disclosed below:

	Beijing Zhongnuo		Jiangsu Zhongnuo	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Gross amount of the associate				
Total assets	**2,773**	1,006	**146,044**	100,000
Total liabilities	**(1,158)**	(84)	**(39)**	–
Net assets	**1,615**	922	**146,005**	100,000
Revenue	**3,611**	–	**–**	–
Profit/(loss) for the year	**693**	(678)	**(3,995)**	–
Reconciled to the Group's interests in the associates				
Gross amounts of net assets of the associate	**1,615**	922	**146,005**	100,000
Group's effective interest	**39%**	39%	**49%**	49%
Group's share of net assets of the associate	**785**	515	**71,543**	49,000
Carrying amount in the consolidated financial statements	**785**	515	**71,543**	49,000

18 OTHER ASSETS

	Note	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Non-current assets			
Other assets		544	16
Current assets			
Deductible value-added tax (VAT)		56,361	107,614
Advance payments		7,695	4,079
Due from related parties	27(c)	2,675	2,955
Notes receivable		1,040	4,148
Prepaid listing expenses		–	17,835
Other receivables		3,065	1,637
		70,836	138,268
Total		71,380	138,284

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
At the beginning of the year	14,494	12,397
Provision for income tax for the year	63,770	54,469
Income tax paid	(51,945)	(52,372)
At the end of the year	26,319	14,494

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

(b) The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements for the years ended December 31, 2020 and 2019 are as follows:

Deferred tax arising from:	Revaluation of FVOCI RMB'000	Revenue with EIT paid in prior years RMB'000	Allowance for impairment losses RMB'000	Accrued staff costs RMB'000	Total RMB'000
January 1, 2019	(1,593)	10,234	27,554	–	36,195
Charged to profit or loss	–	(4,081)	6,942	4,978	7,839
Charged to other comprehensive income	(413)	–	–	–	(413)
December 31, 2019/January 1, 2020	**(2,006)**	**6,153**	**34,496**	**4,978**	**43,621**
Charged to profit or loss	**–**	**(3,085)**	**11,117**	**1,695**	**9,727**
Charged to other comprehensive income	**(124)**	**–**	**–**	**–**	**(124)**
December 31, 2020	**(2,130)**	**3,068**	**45,613**	**6,673**	**53,224**

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Cash on hand	**7**	5
Deposits with banks	**413,266**	252,101
Cash and cash equivalents	**413,273**	252,106

20 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities

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

	Borrowings RMB'000	Lease liabilities RMB'000	Interest payable RMB'000	Total RMB'000
As at 1 January 2019	3,319,747	21,371	25,982	3,367,100
Changes from financing cash flows:				
Capital element of lease rentals paid	–	(13,648)	–	(13,648)
Proceeds from borrowings	3,950,811	–	–	3,950,811
Repayment of borrowings	(3,111,229)	–	–	(3,111,229)
Interest element of lease rentals paid	–	(1,040)	–	(1,040)
Interest paid	–	–	(203,443)	(203,443)
Other borrowing costs paid	(8,573)	–	–	(8,573)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	9,791	–	9,791
Interest expense	–	1,040	196,251	197,291
Other borrowing costs	8,573	–	–	8,573
Interest adjustment for asset-backed securities	(947)	–	–	(947)
As at 31 December 2019	4,158,382	17,514	18,790	4,194,686

20 CASH AND CASH EQUIVALENTS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities (Continued)

	Borrowings RMB'000	Lease liabilities RMB'000	Interest payable RMB'000	Total RMB'000
As at 1 January 2020	4,158,382	17,514	18,790	4,194,686
Changes from financing cash flows:				
Capital element of lease rentals paid	–	(12,167)	–	(12,167)
Proceeds from borrowings	3,662,822	–	–	3,662,822
Repayment of borrowings	(3,668,714)	–	–	(3,668,714)
Interest element of lease rentals paid	–	(774)	–	(774)
Interest paid	–	–	(191,937)	(191,937)
Other borrowing costs paid	(10,864)	–	–	(10,864)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	647	–	647
Interest expense	–	774	198,302	199,076
Other borrowing costs	10,864	–	–	10,864
Interest adjustment for asset-backed securities	556	–	–	556
As at 31 December 2020	4,153,046	5,994	25,155	4,184,195

20 CASH AND CASH EQUIVALENTS (CONTINUED)

(c) Total cash outflow for leases

Amounts included in the consolidated statements of cash flow for leases comprise the following:

	2020 **RMB'000**	2019 RMB'000
Within operating cash flows	**1,086**	1,065
Within financing cash flows	**12,941**	14,688
	14,027	15,753

21 BORROWINGS

	Note	**December 31, 2020** **RMB'000**	December 31, 2019 RMB'000
Bank loans			
– pledged	(i)	**1,394,087**	1,272,332
– unsecured		**940,915**	611,800
Borrowings from related parties			
– pledged	(i)	**800,000**	1,200,000
Asset-backed securities	(ii)	**1,018,044**	1,074,250
		4,153,046	4,158,382

21 BORROWINGS (CONTINUED)

Analysis for reporting purpose as:

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Non-current liabilities	**1,084,994**	1,508,706
Current liabilities	**3,068,052**	2,649,676
	4,153,046	4,158,382

Notes:

(i) As at December 31, 2020, loans amounting to RMB2,194.1 million were pledged by finance lease receivables (December 31, 2019: RMB2,472.3 million) (see Note 15).

(ii) On September 9, 2020, the Company issued asset-backed securities with two tranches: senior tranche Class A1 with principal amount of RMB300.0 million, coupon rate of 4.10% and an expected maturity date on June 8, 2022; senior tranche Class A2 with principal amount of RMB126.0 million, coupon rate of 4.20% and an expected maturity date on March 8, 2023; senior tranche Class B with principal amount of RMB130.0 million, coupon rate of 4.10% and an expected maturity date on September 8, 2023; junior tranche with principal amount of RMB18.0 million and an expected maturity date on September 8, 2025. The Company holds all junior tranche asset-backed securities.

On August 6, 2019, the Company issued asset-backed securities with two tranches: senior tranche Class A with principal amount of RMB760.0 million, coupon rate of 5.35% and an expected maturity date on August 5, 2022; senior tranche Class B with principal amount of RMB210.0 million, coupon rate of 4.70% and an expected maturity date on August 5, 2022; junior tranche with principal amount of RMB30.0 million and an expected maturity date on August 5, 2024. The Company holds all junior tranche asset-backed securities.

On October 26, 2018, the Company issued asset-backed securities with two tranches: senior tranche Class A with principal amount of RMB489.0 million, coupon rate of 5.80% and an expected maturity date on January 21, 2020; senior tranche Class B with principal amount of RMB142.0 million, coupon rate of 6.70% and an expected maturity date on October 21, 2020; junior tranche with principal amount of RMB50.0 million and an expected maturity date on October 21, 2020. The Company holds senior tranche Class B asset-backed securities with amount of RMB42.0 million and all junior tranche asset-backed securities. On July 21, 2020, the Company has repaid the asset-backed securities with all remaining balance.

21 BORROWINGS (CONTINUED)

As at December 31, 2020, the borrowings were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**3,068,052**	2,649,676
After 1 year but within 2 years	**981,726**	1,340,122
After 2 years but within 5 years	**103,268**	168,584
	4,153,046	4,158,382

The ranges of contractual interest rates on the borrowings are as follows:

	December 31, 2020	December 31, 2019
Range of interest rates:	**3.85% – 5.70%**	4.15% – 5.70%

22 TRADE AND OTHER LIABILITIES

	Note	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Current liabilities			
Notes payable		**738,322**	93,760
Guaranteed deposits from lessees		**370,252**	315,782
VAT to be collected in the following period		**75,608**	92,325
Accounts payable		**42,349**	82,786
Accrued staff costs		**31,261**	21,820
Interest payable		**25,155**	18,790
Receipts in advance		**7,583**	1,653
Lease liabilities	22(b)	**1,946**	8,856
VAT payable and other tax payable		**784**	844
Other payables		**8,145**	3,359
		1,301,405	639,975
Non-current liabilities			
Guaranteed deposits from lessees		**644,903**	646,548
Deferred revenue		**86,856**	72,784
VAT to be collected in the following period		**32,525**	55,533
Lease liabilities	22(b)	**4,048**	8,658
Provision for credit commitments	22(a)	**98**	355
Accrued staff costs		**39**	–
		768,469	783,878
Total		**2,069,874**	1,423,853

22 TRADE AND OTHER LIABILITIES (CONTINUED)

(a) Provision for credit commitments

	2020			
	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Balance at January 1, 2020	**355**	**–**	**–**	**355**
Reversal	**(257)**	**–**	**–**	**(257)**
Balance at December 31, 2020	**98**	**–**	**–**	**98**

	2019			
	12-month ECL RMB'000	Lifetime ECL not credit-impaired RMB'000	Lifetime ECL credit-impaired RMB'000	Total RMB'000
Balance at January 1, 2019	1,367	–	–	1,367
Reversal	(1,012)	–	–	(1,012)
Balance at December 31, 2019	355	–	–	355

22 TRADE AND OTHER LIABILITIES (CONTINUED)

(b) Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities at December 31, 2020 and at the date of transition to IFRS 16:

	December 31, 2020		December 31, 2019	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**1,946**	**2,564**	8,856	9,667
After 1 year but within 2 years	**2,681**	**2,828**	4,866	5,164
After 2 years but within 5 years	**1,367**	**1,414**	3,792	3,962
	5,994	**6,806**	17,514	18,793
Less: total future interest expenses		**(812)**		(1,279)
Present value of lease liabilities		**5,994**		17,514

23 CAPITAL, RESERVES AND DIVIDENDS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share/ paid-in capital RMB'000 23(b)	Capital reserve RMB'000 23(c)	Surplus reserve RMB'000 23(d)(i)	Fair value reserve RMB'000 23(d)(ii)	General reserve RMB'000 23(d)(iii)	Retained profits RMB'000	Total equity RMB'000
At January 1, 2019	1,000,000	–	45,396	4,780	43,707	193,871	1,287,754
Changes in equity for 2019							
Profit for the year	–	–	–	–	–	138,143	138,143
Other comprehensive income	–	–	–	1,239	–	–	1,239
Total comprehensive income	–	–	–	1,239	–	138,143	139,382
Appropriation to statutory reserve	–	–	13,814	–	–	(13,814)	–
Dividends approved in respect of the previous years	–	–	–	–	–	(35,000)	(35,000)
Conversion into joint stock company	–	252,761	(45,396)	(4,780)	(43,707)	(158,878)	–
At December 31, 2019/January 1, 2020	1,000,000	252,761	13,814	1,239	–	124,322	1,392,136
Changes in equity for 2020							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**161,218**	**161,218**
Other comprehensive income	**–**	**–**	**–**	**371**	**–**	**–**	**371**
Total comprehensive income	**–**	**–**	**–**	**371**	**–**	**161,218**	**161,589**
Appropriation to statutory reserve	**–**	**–**	**16,122**	**–**	**–**	**(16,122)**	**–**
Appropriation to general reserve	**–**	**–**	**–**	**–**	**110,470**	**(110,470)**	**–**
Dividends approved in respect of the previous years	**–**	**–**	**–**	**–**	**–**	**(50,000)**	**(50,000)**
Issue of H shares	**333,334**	**78,388**	**–**	**–**	**–**	**–**	**411,722**
At December 31, 2020	**1,333,334**	**331,149**	**29,936**	**1,610**	**110,470**	**108,948**	**1,915,447**

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(b) Share/paid-in capital

The Company was established in Beijing, the PRC on November 27, 2012, with a registered capital of RMB500.0 million. All equity shareholders made the full capital contributions for which they subscribed in three instalments before May 1, 2013.

On June 9, 2017, the Company's equity shareholders convened the third extraordinary meeting for 2017 and decided on a capital increase of RMB500.0 million in proportion to the equity shareholders' initial paid-in capital contribution. The registered capital of the Company was therefore increased to RMB1.0 billion.

On August 16, 2019, the Company was converted into a joint stock company and was renamed to Zhongguancun Science-Tech Leasing Co., Ltd.

On January 21, 2020, the Company initial public offered 333,334,000 H Shares (nominal value RMB1.00 per H Share) on the Hong Kong Stock Exchange at a price of HK$1.52 per H Share. Following the completion of the initial public offering, the Company's registered share capital includes 1,000,000,000 Domestic Shares and 333,334,000 H Shares.

(c) Capital reserve

On August 16, 2019, the Company was converted into a joint stock company and was renamed to Zhongguancun Science-Tech Leasing Co., Ltd. The audited net assets of the Company were RMB1,287.8 million as at December 31, 2018, of which RMB1,000.0 million was converted into 1,000.0 million shares of the joint stock company with a par value of RMB1.0 per share, RMB35.0 million was recorded as the retained profits of the Company which was used for the dividends distribution in respect of 2018, and RMB252.8 million was transferred to the capital reserve of the Company.

On January 21, 2020, the Company initial public offered 333,334,000 H Shares (nominal value RMB1.00 per H Share) on the Hong Kong Stock Exchange at a price of HK$1.52 per H Share. The net proceeds after deducting the listing expenses were approximately RMB411.7 million, out of which RMB333.3 million and RMB78.4 million were recorded in share capital and capital reserve respectively.

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Reserves

(i) Surplus reserve

The Company is required to appropriate 10% of its net profit, as determined under the China Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance of the PRC ("**MOF**"), to the statutory surplus reserve until the balance reaches 50% of the registered capital.

Subject to the approval of equity shareholders of the Company, statutory surplus reserve may be used to net off against accumulated losses, if any, and may be converted into capital, provided that the balance of statutory surplus reserve after such capitalisation is not less than 25% of the registered capital before capitalisation.

After making the appropriation to the statutory surplus reserve, the Company may also appropriate its net profit to the discretionary surplus reserve upon approval by equity shareholders.

(ii) Fair value reserve (non-recycling)

The fair value reserve (non-recycling) comprises the cumulative net change in the fair value of equity investments designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 1(i)).

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(d) Reserves (Continued)

(iii) General reserve

According to the resolution of the meeting of board of directors, the Company elected to appropriate 20% of its net profit, as determined under the China Accounting Standards for Business Enterprises and other relevant regulations issued by the MOF, to a general risk reserve starting in the year 2017 until the reserve accumulatively reaches an amount equal to 1.5% of the ending balance of the Company's leased assets.

On August 16, 2019, the Company was converted into a joint stock company and amended the Articles of Association. According to the amended Articles of Association, there is no requirement for the Company to appropriate its net profit to general reserve in future.

According to "Guidelines for the Supervision and Management of Beijing Financial Leasing Companies (Trial) (《北京市融資租賃公司監督管理指引(試行)》)" issued on April 16, 2020, the Company maintained a general reserve within equity, through the appropriation of profit, which should be no less than 1.5% of the year end balance of gross risk-bearing assets.

(e) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

According to the proposal of the meeting of board of directors dated March 19, 2021, the profit distributed in cash by the Company to its equity shareholders amounted to RMB58.0 million (2019: RMB50.0 million). The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

Final dividend in respect of the previous financial year, approved and paid during the 2020 was RMB50.0 million (2019: RMB35.0 million).

23 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)

(f) Capital management

The Group's main objective of capital management is to ensure a stable capital ratio to support the Group's business development and maximise equity shareholders' value.

The Group assesses and manages its capital structure with the aim of striking a balance between achieving higher equity shareholders returns through debt financing and ensuring capital security through equity financing, and the Group adjusts the capital structure based on changes in external economic conditions.

24 SHARE-BASED PAYMENT ARRANGEMENTS

(a) Description of share-based payment arrangements

On 23 December 2020, the Group granted 12,670,000 SARs to employees that entitle them to a cash payment after certain non-market performance conditions are satisfied. The SARs expire at the end of a five-year period after grant date. The amount of the cash payment is determined based on the increase from the par value of H share to the share price of exercise date of the Company.

Details of the liabilities arising from the SARs, which are recorded in trade and other liabilities, are as follows:

	2020 **RMB'000**	2019 RMB'000
Total carrying amount of liabilities for SARs	**39**	–
Total intrinsic value of liabilities for vested benefits	**–**	–

24 SHARE-BASED PAYMENT ARRANGEMENTS (CONTINUED)

(b) Measurement of fair values

The fair value of the SARs has been measured using the binomial model. Non-market performance conditions attached to the arrangements were not taken into account in measuring fair value.

The inputs used in the measurement of the fair values at measurement date of the SARs are as follows:

	2020	2019
Fair value at measurement date (in RMB)	**0.29**	–
Share price (in HKD)	**1.1**	–
Exercise price (in RMB)	**1**	–
Expected volatility	**35.73%**	–
Expected life (year)	**5.0**	–
Expected dividends	**0%**	–
Risk-free interest rate	**0.48%**	–

Expected volatility has been based on the historical volatility (calculated based on the weighted average remaining life of the SARs) and adjusted for any expected changes to future volatility based on publicly available information.

(c) Reconciliation of outstanding SARs

The number and exercise price of SARs are as follows:

	Number of SARs	**Exercise price**
Outstanding at January 1, 2020	**–**	**–**
Granted during the year	**12,670,000**	**RMB1**
Outstanding at December 31, 2020	**12,670,000**	**RMB1**
Exercisable at December 31, 2020	**–**	**–**

The SARs outstanding at December 31, 2020 had an exercise price of RMB1 and a remaining contractual life of 5 years.

24 SHARE-BASED PAYMENT ARRANGEMENTS (CONTINUED)

(d) Expense recognised in profit or loss

For details of the related staff costs, see Note 6(a).

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, market and liquidity risks arises in the normal course of the Group's business. The Group's exposure to these risks and the financial risk management policies and practice used by the Group to manage these risks are described below.

(a) Credit risk

Credit risk is the risk that the Group will suffer losses due to a lessee's failure to fulfil contractual obligations. Credit risk is the most significant risk faced by the Group in the course of its operating activities. The credit risk exposure is managed based on the principle of prudence. The Group's credit risk is primarily attributable to its finance leasing business.

The Group's exposure to credit risk arising from cash and cash equivalents, pledged and restricted deposits, and notes receivable is limited because the counterparties are banks and financial institutions, of which the Group considers to have low credit risk. The Group does not provide any guarantees which would expose the Group to credit risk.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

The Group's maximum exposure to credit risk before collateral held and other credit enhancement is as follows:

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Cash and cash equivalents	**413,273**	252,106
Pledged and restricted deposits	**137,830**	41,564
Finance lease receivables	**7,564,510**	6,561,757
Financial assets at FVOCI	**11,521**	11,026
Notes and other receivables	**6,780**	8,740
Total	**8,133,914**	6,875,193

The maximum exposure to credit risk in respect of those off-balance sheet items as at the end of the reporting period is disclosed in Note 25(a).

(i) Finance Lease receivables credit risk management

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. As at December 31, 2020, 2.03% of the total net amounts of finance lease receivables was due from the Group's largest customer (December 31, 2019: 1.98%), and 7.38% of the total net amounts of finance lease receivables was due from the Group's five largest customers (December 31, 2019: 7.32%).

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(i) Finance Lease receivables credit risk management (Continued)

The Group performs standardised management throughout the entire finance lease business processes, including investigation of and application for finance lease projects, due diligence, review and approval of lease projects, release of finance lease funds, post-lease monitoring, and management of bad and doubtful financial lease receipts. The Group also identifies, monitors and manages potential credit risks throughout its operations with its five-tier risk grading system, policies and procedures related to credit risk management, leasing business information system, management of the investment direction of its leasing business and optimising the structure of its leasing assets.

Changes in the economic environment or the distribution of a particular industry of finance lease assets in the Group's asset portfolio may cause losses to the Group. Credit risk exposure in the balance sheet is associated primarily with finance lease receivables. The Group's credit risk is managed by the Engagement Evaluation Department, Risk Management Department, Asset Management Department and the Evaluation Committee.

(ii) Risk limits management and mitigation measures

The Group monitors credit risk limits on a regular basis, manages, limits, and controls the concentration of credit risk it identifies, particularly in industries, regions, and single customers.

To optimise the credit risk structure, the Group identifies the direction of its leasing business and sets limits for industries, regions and single lessees with reference to global economic developments, industry trends and corporate strategic objectives. The Group controls the set-up of leasing projects according to the industry's and region's risk levels.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(ii) Risk limits management and mitigation measures (Continued)

Other specific management and mitigation measures include:

Guarantee: To make credit risk management more efficient, the Group uses different approaches to mitigate credit risk, including obtaining collaterals/pledges, deposits, and guarantees from guarantors.

For the finance lease business, the Group requires different approaches to guarantees based on the lessee's credit status, the risk level of the finance lease business and the characteristics of each guarantee category. The Group also requires an assessment of the guarantor's financing capacity, the ownership and value of collaterals and pledges, and the feasibility of realising the collateral and the pledge. If a finance lease is guaranteed by a third party, the Group will assess the guarantor's financial status, credit condition and solvency.

Insurance: For the finance lease business, the title will be owned by the Group during the lease period, but the risks and benefits associated with the operation and maintenance will be transferred to the lessee. Therefore, if a covered accident occurs during the lease period, the lessee must immediately report it to the related insurance company and notify the Group, provide reasons and related materials to the Group for the accident, and file claims against the insurance company in a timely manner in conjunction with the Group.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(ii) Risk limits management and mitigation measures (Continued)

Concentration risk of credit exposure

An analysis of gross amount of finance lease receivables by industry is set out below:

	December 31, 2020		December 31, 2019	
	RMB'000	**%**	RMB'000	%
ECO-solutions	**2,754,961**	**34%**	2,176,650	31%
Life sciences & healthcare	**1,606,226**	**20%**	1,436,356	20%
Intelligent manufacturing	**1,404,890**	**17%**	1,453,923	20%
Internet-based products & services	**1,241,914**	**15%**	795,211	11%
Big data	**996,613**	**12%**	1,041,445	15%
Others	**192,663**	**2%**	219,323	3%
Total	**8,197,267**	**100%**	7,122,908	100%

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(ii) Risk limits management and mitigation measures (Continued)

Concentration risk of credit exposure (Continued)

An analysis of gross amount of finance lease receivables by area is set out below:

	December 31, 2020		December 31, 2019	
	RMB'000	**%**	RMB'000	%
North China	**3,876,258**	**47%**	3,785,324	53%
East China	**1,772,308**	**22%**	1,190,218	17%
Central China	**902,541**	**11%**	840,651	12%
South China	**554,754**	**7%**	517,622	7%
Northwest	**568,027**	**7%**	397,751	6%
Southwest	**263,920**	**3%**	214,432	3%
Northeast	**259,459**	**3%**	176,910	2%
Total	**8,197,267**	**100%**	7,122,908	100%

The overall ECL rate for finance lease receivables are summarized as follows:

	December 31, 2020			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Finance lease receivables	**0.51%**	**4.31%**	**32.09%**	**2.41%**

	December 31, 2019			
	Stage 1	Stage 2	Stage 3	Total
Finance lease receivables	0.42%	3.25%	26.64%	2.10%

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Credit risk (Continued)

(ii) Risk limits management and mitigation measures (Continued)

Concentration risk of credit exposure (Continued)

An analysis of finance lease receivables by credit quality is set out below:

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
12-month ECL balance	**7,067,972**	6,074,976
Lifetime ECL not credit-impaired balance		
– Not overdue	**140**	10,725
– Less than 1 month (inclusive)	**24,268**	22,967
– 1 to 3 months (inclusive)	**21,772**	40,924
Lifetime ECL credit-impaired	**450,358**	412,165
Net amount of finance lease receivables	**7,564,510**	6,561,757
Less: Allowances for impairment losses	**(182,354)**	(137,630)
Total	**7,382,156**	6,424,127

(b) Market risk

Market risk arises when the adverse changes in market prices (interest rates, exchange rates, as well as equity prices and other prices) lead to losses from the Group's business. The Group's market risk mainly arises from currency risk and interest rate risk.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (Continued)

(i) Currency risk

As the Group's principal activities are carried out in the PRC, the Group's transactions are mainly denominated in RMB, which is not freely convertible into foreign currencies. All foreign exchange transactions involving RMB must take place through the People's Bank of China or other institutions authorised to buy and sell foreign exchange. The exchange rates adopted for the foreign exchange transactions are the rates of exchange quoted by the People's Bank of China that are determined largely by supply and demand.

The directors consider the Group's exposure to foreign currency risk is not significant for 2020 as the Group does not hold any foreign currency balance at the end of the reporting period.

(ii) Interest rate risk

The risk of changes in the cash flow of financial instruments caused by the Group's interest rate changes is mainly related to financial lease. The Group's interest rate risk arises from the mismatch between the maturity date of interest-generating assets and interest-bearing liabilities and the contract repricing date. Interest margin of the Group may increase due to the change of market interest rate, Interest margin of the Group may even decrease or even loss due to their unpredictability.

The Group adopts the following measures to manage its interest rate risk:

- Optimises the time difference between the maturity dates of interest-generating assets and interest-bearing liabilities and the contract repricing date; and

- Managing the difference between the pricing of interest-generating assets and interest-bearing liabilities and the benchmark interest rate of the People's Bank of China.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(b) Market risk (Continued)

(ii) Interest rate risk (Continued)

The sensitivity of the Group to the interest rate risk of financial instruments is based on the assumption that the reasonable changes in the interest rate risk borne by the financial instruments at the balance sheet date during the following year shall remain constant throughout the year. The following shows the impact of the structure of financial assets and financial liabilities at the balance sheet date on the Group's after-tax profits and owners' equity, with a general increase or decrease of 100 basis points in interest rates, and all other variables held constant:

The following table illustrates the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's retained profits, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of at December 31, 2020.

	2020 **RMB'000**	2019 RMB'000
Retained profits		
+ 100 basis points	**8,426**	6,099
– 100 basis points	**(8,426)**	(6,099)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk

Management regularly monitors the Group's liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and long term. The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial assets and financial liabilities, which are based on contractual undiscounted cash flows and the earliest date the Group can be required to pay:

	Indefinite/ overdue/ on demand RMB'000	Within 1 month RMB'000	1 to 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
December 31, 2020						
Cash and cash equivalent	413,273	–	–	–	–	413,273
Pledged and restricted deposits	–	–	–	137,830	–	137,830
Finance lease receivables	384,683	297,113	832,185	3,004,674	3,678,612	8,197,267
Financial assets at FVOCI	11,521	–	–	–	–	11,521
Other assets – notes and other receivables	1,628	200	–	840	4,112	6,780
Total financial assets	811,105	297,313	832,185	3,143,344	3,682,724	8,766,671
Borrowings	–	70,453	506,995	2,490,604	1,086,790	4,154,842
Trade and other liabilities	8,736	132,636	272,601	867,031	769,752	2,050,756
Lease liabilities	–	35	408	2,121	4,242	6,806
Total financial liabilities	8,736	203,124	780,004	3,359,756	1,860,784	6,212,404
Net exposure	802,369	94,189	52,181	(216,412)	1,821,940	2,554,267

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Liquidity risk (Continued)

	Indefinite/ overdue/ on demand RMB'000	Within 1 month RMB'000	1 to 3 months RMB'000	3 months to 1 year RMB'000	1 to 5 years RMB'000	Total RMB'000
December 31, 2019						
Cash and cash equivalent	252,106	–	–	–	–	252,106
Pledged and restricted deposits	–	–	–	41,564	–	41,564
Finance lease receivables	352,286	256,904	710,502	2,598,732	3,204,484	7,122,908
Financial assets at FVOCI	11,026	–	–	–	–	11,026
Other assets – notes and other receivables	1,853	1,321	2,540	45	2,981	8,740
Total financial assets	617,271	258,225	713,042	2,640,341	3,207,465	7,436,344
Borrowings	–	183,405	471,320	2,156,184	1,569,945	4,380,854
Trade and other liabilities	83,039	2,200	41,560	373,615	714,607	1,215,021
Lease liabilities	–	25	50	9,592	9,126	18,793
Total financial liabilities	83,039	185,630	512,930	2,539,391	2,293,678	5,614,668
Net exposure	534,232	72,595	200,112	100,950	913,787	1,821,676

(Expressed in RMB unless otherwise indicated)

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair values

Fair value estimates are generally subjective in nature, and are made as of a specific point in time based on the characteristics of the financial instruments and relevant market information. The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

	December 31, 2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVOCI	**–**	**–**	**11,521**	**11,521**

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI	–	–	11,026	11,026

For the years ended December 31, 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Fair values (Continued)

Information about Level 3 fair value measurements

The following table presents the related valuation techniques and inputs of the major financial instruments in Level 3.

Financial assets/ liabilities	Fair value hierarchy	Valuation Technique(s) and Key inputs	Significant Unobservable Input(s)	Relationship of unobservable input(s) to fair value
Unlisted equity securities	Level 3	Market comparable companies	Discount for lack of marketability	The higher the discount, the lower the fair value

The fair value of unlisted equity instruments is determined using the price/earning ratios of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of market ability.

The movements during the year in the balance of these Level 3 fair value measurements are as follows:

	2020 **RMB'000**	2019 RMB'000
Unlisted equity securities:		
At the beginning of the year	**11,026**	9,374
Net unrealised gains or losses recognised in other comprehensive income during the year	**495**	1,652
At the end of the year	**11,521**	11,026

(Expressed in RMB unless otherwise indicated)

26 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's non-cancellable credit commitments are primarily finance leases that have been contracted, but not provided for. As at December 31, 2020, the Group's non-cancellable lease commitments amounted to RMB38.1 million (December 31, 2019: RMB60.8 million).

(b) Capital commitments

As at December 31, 2020, the unpaid capital investment against Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. (北京中諾同創投資基金管理有限公司) and Jiangsu Zhongguancun Zhongnuo Xietong Investment Fund (Limited Partnership) (江蘇中關村中諾協同投資基金合夥企業(有限合夥)) was RMB3.1 million and RMB24.5 million (December 31, 2019: RMB3.1 million and RMB49.0 million), respectively.

27 MATERIAL RELATED PARTY TRANSACTIONS

(a) Name and relationship with related parties

Name of the entities	Relationship
Zhongguancun Development Group Co., Ltd. * (中關村發展集團股份有限公司)	Controlling shareholder
Beijing Zhongguancun Frontier Technology Industry Development Co., Ltd. * (北京中關村前沿技術產業發展有限公司)	A company controlled by the same ultimate controlling party
Beijing Zhongguancun Life Science Park Biomedical Technology Incubation Co., Ltd. * (北京中關村生命科學園生物醫藥科技孵化有限公司)	A company controlled by the same ultimate controlling party
Beijing Pioneer Precision Medical and Health Industry Investment Co., Ltd. * (北京領創精準醫療健康產業投資有限公司)	A company significantly impacted by the controlling shareholder
Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. * (北京中諾同創投資基金管理有限公司)	An associate of the Company

* The English translation of the names of these entities is for reference only. The official names of the entities are in Chinese.

27 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transaction amounts with related parties:

	2020 RMB'000	2019 RMB'000
Trade related		
Interest income from leases to a related party	**409**	636
Advisory fee income from a related party	**–**	906
Repayment of finance lease receivable from a related party	**4,384**	4,703
Non-trade related		
Borrowing related		
Repayment of borrowings from a related party	**700,000**	718,000
Borrowings from a related party	**300,000**	600,000
Interest expenses arising from borrowings from related parties	**45,299**	68,131
Lending related		
Lending to a related party	**–**	317,742
Repayment from a related party	**280**	317,696
Interest income from a related party	**–**	105
Guarantee related		
Payment of guarantee fee to a related party	**920**	1,458
Increase of guarantees from a related party	**105,146**	246,322
Others		
Payment for the lease of house rental, property management and parking fee to a related party	**12,483**	14,635
Repayment other receivables from related parties	**–**	277
Payment of other receivables of related parties	**1,163**	1,299
Payment of other payables of a related party	**–**	18

27 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) The balances of transactions with related parties:

	Note	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Trade related			
Finance lease receivable from a related party		4,410	8,364
Security deposits payable to a related party		1,585	1,585
Non-trade related			
Borrowing related			
Borrowings payable to a related party	(i)	800,000	1,200,000
Interest payable to a related party	(ii)	12,396	14,984
Lending related			
Due from a related party		–	280
Lease prepayment to a related party	(iii)	3,123	3,123
Guarantee related			
Balance of guarantees received from a related party		351,468	246,322
Others			
Deposits for rental	(iv)	2,674	2,674
Other receivables from a related party		1	1
Payable to a related party		–	–

27 MATERIAL RELATED PARTY TRANSACTIONS (CONTINUED)

(c) The balances of transactions with related parties: (Continued)

Notes:

(i) As at December 31, 2020, these represent short-term borrowings of RMB300.0 million and long-term borrowings of RMB500.0 million from Zhongguancun Development Group Co., Ltd. These borrowings will be due on May 26, 2021 and no later than August 6, 2022, respectively.

(ii) As at December 31, 2020, this represents interest payable to Zhongguancun Development Group Co., Ltd., which will be due within one year.

(iii) As at December 31, 2020, this represents lease prepayment to Zhongguancun Development Group Co., Ltd., which will be due within one year.

(iv) As at December 31, 2020, this represents deposits for rental to Zhongguancun Development Group Co., Ltd., which will be due within three years.

(d) Transactions with key management personnel

	2020 RMB'000	2019 RMB'000
Key management personnel remuneration	**9,318**	7,140

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Non-current assets		
Property and equipment	**13,037**	22,348
Intangible assets	**10,305**	6,394
Finance lease receivables	**3,431,726**	2,966,628
Financial assets at fair value through other comprehensive income	**11,521**	11,026
Interest in associates	**72,328**	49,515
Other assets	**544**	16
Deferred tax assets	**53,224**	43,621
	3,592,685	3,099,548
Current assets		
Finance lease receivables	**3,950,430**	3,457,499
Other assets	**70,836**	138,840
Pledged and restricted deposits	**137,462**	40,872
Cash and cash equivalents	**413,273**	252,106
	4,572,001	3,889,317
Current liabilities		
Borrowings	**3,068,052**	2,649,676
Income tax payable	**26,319**	14,494
Trade and other liabilities	**1,301,405**	639,975
	4,395,776	3,304,145
Net current assets	**176,225**	585,172

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (CONTINUED)

	December 31, 2020 RMB'000	December 31, 2019 RMB'000
Total assets less current liabilities	**3,768,910**	3,684,720
Non-current liabilities		
Borrowings	**1,084,994**	1,508,706
Trade and other liabilities	**768,469**	783,878
	1,853,463	2,292,584
NET ASSETS	**1,915,447**	1,392,136
CAPITAL AND RESERVES		
Paid-in capital	**1,333,334**	1,000,000
Reserves	**582,113**	392,136
TOTAL EQUITY	**1,915,447**	1,392,136

Approved and authorised for issue by the board of directors on March 19, 2021.

DUAN Hongwei	**HE Rongfeng**
Chairman	*General manager*

29 CONSOLIDATED STRUCTURED ENTITIES

In the course of its ordinary activities, the Group enters into asset securitisation transactions and transfers the finance receivables to special purpose entities, which are structured entities created to provide opportunities for investors to invest in the finance lease receivables. Where a structured entity conducts activities according to contractual arrangements, the voting rights in it are not one of the main factors to consider in assessing whether the Group controls the structured entity. The Group obtains control over a structured entity when it involves itself in the entity's operations and is exposed to variable returns from such involvement, and when it has the ability to affect those returns through its power over the structured entity. In this case, the Group includes the structured entities in its consolidation scope.

As at December 31, 2020, the number of consolidated structured entities of the Group was two (December 31, 2019: two). As at December 31, 2020, the total assets of the consolidated structured entities amounted to RMB1,067.8 million (December 31, 2019: RMB1,198.6 million).

30 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Company's profit distribution plan is detailed in Note 23(e).

31 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At December 31, 2020, the directors consider the immediate parent and ultimate controlling party of the Group to be Zhongguancun Development Group Co., Ltd. (中關村發展集團股份有限公司).

(Expressed in RMB unless otherwise indicated)

32 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2020

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance Contracts, which are not yet effective for the year ended December 31, 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to IFRS 3, *Reference to the Conceptual Framework*	January 1, 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	January 1, 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	January 1, 2022
Annual Improvements to IFRSs 2018-2020 Cycle	January 1, 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements