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

2021 ANNUAL REPORT

Contents

2 Corporate Information
4 Corporate Profile
6 Key Financials
7 Chairman's Statement
9 General Manager's Statement
11 Profile of Directors, Supervisors and Senior Management
25 Management Discussion and Analysis
68 Corporate Governance Report
95 Report of the Board of Directors
117 Report of the Board of Supervisors
120 Environmental, Social and Governance Report
145 Independent Auditor's Report
152 Financial Statements and Notes to the Financial Statements
244 Definitions

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 Information

BOARD OF DIRECTORS

Non-executive Directors
Mr. DUAN Hongwei *(Chairman)*
Mr. LOU Yixiang
Mr. ZHANG Shuqing
Mr. DU Yunchao

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 *(Chairman)*
Mr. TIAN Anping
Mr. FANG Fang
Mr. KAN Wei
Mr. TONG Chao
Ms. ZHOU Di
Ms. HAN Nana

COMPANY SECRETARY

Mr. GAO Wei *(FCG, HKFCG (PE))*

AUTHORISED REPRESENTATIVES UNDER THE LISTING RULES

Mr. HE Rongfeng
Mr. HUANG Wen

AUDIT COMMITTEE

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

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

RISK CONTROL COMMITTEE

Ms. LIN Zhen *(Chairwoman)*
Mr. CHENG Dongyue
Mr. WU Tak Lung
Mr. ZHANG Shuqing
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

Corporate Information

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

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

China Everbright Bank
1st floor, Zhongguancun Science and
Technology Trade Center
No.18 Zhongguancun Street
Haidian District, Beijing
PRC

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

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 Des Voeux Rd. C, 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

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

Corporate Profile

Zhongguancun Science-Tech Leasing Co., Ltd., established in Beijing in November 2012, is the only listed platform under the ZGC Group. The Company is a pioneer in serving science and technology innovation enterprises in PRC, and is dedicated to “promoting the integration of finance and technology to help science and technology entrepreneurs achieve their dreams”. We focus on providing finance lease and leasing-based equity investment financial services for the domestic science and technology innovation enterprises of high growth. On January 21, 2020, the Company was listed on the Hong Kong Stock Exchange Main Board.

In the past decade since its establishment, the Company has been deeply engaged in intelligent manufacturing, new energy, big data, life sciences & healthcare, internet-based products & services and other industries. We took the lead in building the “credit creation system for science and technology innovation enterprises”. By employing the three-step approach of “credit discovery – credit cultivation – credit transmission”, we successfully addressed the financing difficulty of many science and technology innovation enterprises.

With a “growth secures safety” mindset in credit, we created and implemented a credit rating model of enterprise growth driving factors, and identified a large number of science and technology innovation enterprises with high growth potential but have not been covered by traditional financial institutions. Based on an in-depth understanding of the growth characteristics and needs of science and technology innovation enterprises, we launched a series of innovative products such as “intellectual property lease, sales lease and service lease” to help these enterprises build their first corporate credit record from scratch. We have also built a characteristic value-added service system to deliver corporate credit to peers and traditional financial institutions through joint lease, bank lease express and guarantee lease express to help science and technology innovation enterprises obtain more financial support.

Corporate Profile

Focusing on the financial service needs of science and technology innovation enterprises at all stages of their growth, we launched the innovative leasing-based equity investment business model of "lease + stock option" to provide leasing services for science and technology innovation enterprises at their early stages of development, and also, through the stock option model, realize risk compensation and optimize returns. In 2019, we initiated and established the first leasing-based equity investment fund to turn the value of stock options into actual investment. So far, we have invested in 13 customers, lowering enterprises' financing costs to avoid excessive equity dilution in the early stage on the one hand, and effectively combining debt and equity returns on the other, reaching beyond the profit boundary of traditional financial institutions.

By the end of 2021, we had provided financing services for more than 1,300 science and technology innovation enterprises with an aggregate financing capital of close to RMB30 billion among which, more than 150 enterprises are valued at over RMB1 billion, and more than 40 enterprises have been listed. These enterprises are in a wide spectrum of fields including artificial intelligence, cloud computing, intelligent warehousing, new energy vehicles, new materials, gene testing, in-vitro diagnosis, health and medical services and digital entertainment.

Looking ahead, we will continue to deepen and expand our financial service value chain and strive to become a digital science and technology innovation financial service provider.

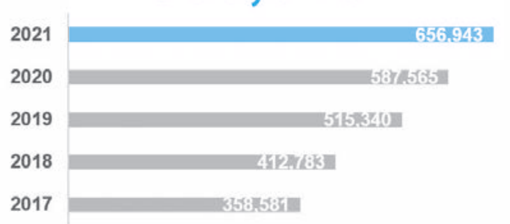
Key Financials

For the year ended December 31, 2021

2021

Total revenue
(RMB'000)

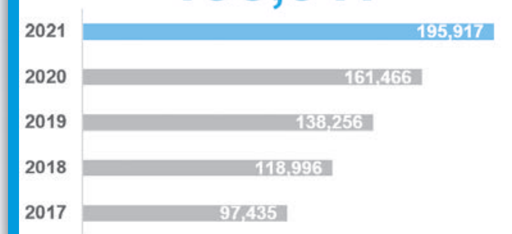
656,943



For the twelve months ended 31 December

Net profit
(RMB'000)

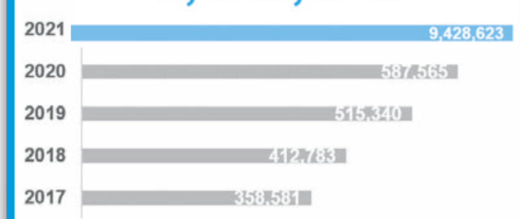
195,917



For the twelve months ended 31 December

Total assets
(RMB'000)

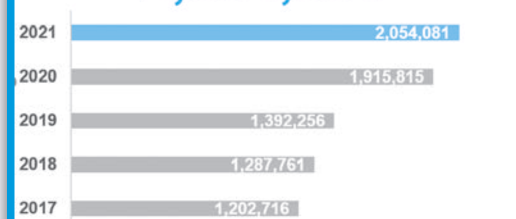
9,428,623



For the twelve months ended 31 December

Total equity
(RMB'000)

2,054,081



For the twelve months ended 31 December

Liability to asset ratio
For the twelve months ended 31 December

2020	2021
76.5%	**78.2%**

Net assets per share
(RMB)
For the twelve months ended 31 December

2020	2021
1.44	**1.54**

Basic and diluted Earnings per Share (RMB)	Return on average equity For the twelve months ended 31 December	Return on average assets For the twelve months ended 31 December
0.15	**9.9%**	**2.2%**

Net profit margin For the twelve months ended 31 December	Net interest margin For the twelve months ended 31 December	Net interest spread For the twelve months ended 31 December
29.8%	**3.8%**	**2.6%**

Chairman's Statement

Dear Shareholders,

Times flies and new advancements are made every day. Looking back in 2021, despite multiple COVID-19 hits, high commodity prices, real estate downside risks and other adverse factors, China's economy continued to recover and achieved an annual GDP growth rate of 8.1%[1] thanks to its overall domestic COVID-19 prevention and control stability and continuous improvement of technology and new economy sectors, and became a star in the world economy.

In 2021, China's innovation and entrepreneurship ecology further matured, vitality of market players was further stimulated, and a large number of innovation and entrepreneurship achievements emerged. Science and technology innovation had become a core driver of China's economic development. More and more assistance policies for "specialized, refined, differentiated and innovative" enterprises were issued. The Beijing Stock Exchange, officially established on September 3, focused on providing support and service to small and medium-sized enterprises to facilitate their innovation development. It is expected that policy papers on cultivating and developing high-quality manufacturing enterprises and improving the competitiveness of small and medium-sized enterprises will be issued in 2022.

2021 is the beginning year of the Company's strategic upgrades. We adhered to our commitment to "promoting the integration of finance and technology to help science and technology entrepreneurs achieve their dreams", and seized on this trend of financial technology development and established our corporate vision of becoming a "digital science and technology innovation financial service provider". We firmly root in our core leasing business, stood by our principles while promoting innovation; we learned from Silicon Valley Bank, a leading commercial bank in financial innovation in the United States, and established the "1+3+N" strategy system and implementation method, which is to build a business model of integrated financial "lease + stock option", equity investment and asset management centering on the core credit discovery ability, focus on serving big data, eco-solutions, life sciences & healthcare, intelligent manufacturing and internet-based products & services and other industry segments of strategic emerging fields, and become the "creator of science and technology innovation enterprise corporate credit". We mobilized digital technology to quickly build scientific and technological strength to prepare for high-quality development. We focused on multiple fields including science and technology innovation enterprises, technological innovations and green development, doubled down on planning, make concentrated efforts to explore and innovate, and actively seized opportunities in serving and building a new development structure.

1 *Source:* National Bureau of Statistics

Chairman's Statement

In 2021, the Company seized the development opportunities and emerging industry needs in core economic zones such as Beijing-Tianjin-Hebei Area, the Yangtze River Economic Zone and the Guangdong-Hong Kong-Macao Greater Bay Area, and invested heavily on exploring regional markets. We had gradually grown into a national company with 68.8% of business outside Beijing. Shareholder value was increased, economic benefits were realized faster, and our annual total profit growth rate reached 21.4%. Our "leasing-based equity investment" achieved initial results, profit structure optimization was accelerated, and our investment income was close to RMB20 million. Innovative businesses such as stock option business and intellectual property financing are progressing smoothly, empowering high-quality and sustainable development.

In 2021, the Company focused on financial technology to facilitate business transformation, accelerated the pace of digital transformation, leveraged technological means, added digital elements to all stages of leasing services, and used a data mindset throughout the business operation chain. The "lease brain" smart business system is maturing; sub modules such as customer center, smart due diligence center, smart evaluation center and smart post-lease system are progressing smoothly; and operation and business efficiency are further leveled up, which laid a solid foundation for high-quality development.

Great players seek macro trends, and great strategists go far. 2022 is the Company's 10th anniversary, a year worth looking forward to. We have developed unique advantages in business model, risk control system and product innovation, attracting more and more social resources. In the future, we will continue to focus on science and innovation enterprises, meet the financing needs of small and medium-sized enterprises, accelerate regional and overseas expansion, grow business scale, and create greater value for Shareholders, employees and all sectors of society!

Chairman of the Board

DUAN Hongwei
March 18, 2022

General Manager's Statement

Dear Shareholders,

2021 is the starting year of the Company's new "14th Five Year Plan" and the year of full implementation of strategic upgrades. We established the new vision of becoming a "digital science and technology innovation financial service provider" and further consolidate our strengths in sub fields.

Our business performance improved against the impact of the epidemic. In 2021, with the concerted efforts of all staff members, the operating efficiency of the Company increased significantly: the total assets exceeded RMB9 billion, and the new business investment was RMB6.17 billion, a year-on-year increase of about 17.1%; the net profit was nearly RMB200 million, a year-on-year increase of 21.3%; ROE was 9.9%, a year-on-year increase of 0.1 percentage points; non-performing asset ratio was 1.5%, which had remained stable since listing, and the provision coverage rate was 175.9%. In addition, we became the first financial leasing company to be selected as a national public service demonstration platform for small and medium-sized enterprises, and won the "Achievement Award" of China's financial leasing list, the "Leasing Enterprise Innovation Achievement Award" in the Westlake Forum Cup and other important awards of the industry.

Our "leasing-based equity investment" model has achieved initial results and improved our value creation ability. In 2021, the Company invested heavily on building a stock option pool to best balance risks with stock options, connect customers and boost capital market valuation. We further promoted the "leasing-based equity investment" business model. Beijing ZGC Innofund under the Company completed its first project exit with 3.6 times the earning and nearly RMB20 million of contributed profit. All invested projects are our customers, realizing win-win of the Company, science and technology innovation enterprises and "leasing-based equity investment" fund.

We accelerated our pace of digital transformation and promoted financial technology empowerment. In 2021, focused on long-term development, the Company defined "efficient access, accurate service, streamlined management, and smart decision-making" as its four digitization goals, and built five digital development sectors: marketing, financial capital, risk control, asset management and collaborative office. Throughout the year, we completed the establishment, improvement and online operation of multiple systems such as the risk management system and customer center, carried out the business, finance and financing systems integrated development, and placed emphasis on solving the problem of data standards. We wrote "digitization" into our corporate strategy and created a digital development culture. Digital development is now on the mind of all members of the Company.

General Manager's Statement

We strengthened the risk control and compliance system to safeguard the development of the Company. In 2021, the Company accelerated the establishment of the comprehensive risk management system, implemented comprehensive risk management consulting project, optimized the Company's risk governance structure, formulated various risk management rules, and established risk preference system and risk reporting system with the goal of improving the risk management system ability and core ability. In terms of corporate governance, we continuously improved and strengthened management under the guidance of the stock exchange and the supervision of the board of directors. Whether in business or routine reports, the Company actively strengthened communication across departments, optimized compliance systems and processes, promoted in-depth understanding and practice of compliance at all levels of the Company, and performed businesses in a more standardized manner.

2022 is the year for the Company to fully implement its strategic upgrading plan. Centering on strategic upgrading, we will focus on our strengths, clarify tasks and take innovative measures; with "standardization, systematization and digitization" as the theme, further expand our customer base, continuously improve the "leasing-based equity investment" model and our product innovation ability. We will keep learning from the Silicon Valley Bank's experience in building entrepreneur and venture capital networks, and further strengthen the co-growth mechanism of employees and the Company. We will continue to adhere to the values of "innovation and expertise, with health, love and dream" and commitment to "promoting the integration of finance and technology to help science and technology entrepreneurs achieve their dreams", contribute to science and technology finance innovation and services for small and medium-sized enterprises, and bring more value to shareholders, customers and partners.

General Manager

何融峰

HE Rongfeng
March 18, 2022

Profile of Directors, Supervisors and Senior Management

DIRECTORS

The Board currently consists of nine Directors, comprised of four non-executive Directors, two executive Directors and three independent non-executive Directors. The following table sets forth information regarding the Directors.

Name	Age	Position	Date of Appointment as Director
Non-executive Directors			
Mr. DUAN Hongwei	58	Chairman and non-executive Director	August 13, 2019
Mr. LOU Yixiang	46	Non-executive Director	August 13, 2019
Mr. ZHANG Shuqing	48	Non-executive Director	August 13, 2019
Mr. DU Yunchao	51	Non-executive Director	May 28, 2021
Executive Directors			
Mr. HE Rongfeng	54	Executive Director and general manager	August 13, 2019
Mr. HUANG Wen	47	Executive Director, deputy general manager, board secretary and head of finance team	August 13, 2019
Independent Non-executive Directors			
Mr. CHENG Dongyue	62	Independent non-executive Director	September 20, 2019
Mr. WU Tak Lung	56	Independent non-executive Director	August 29, 2019
Ms. LIN Zhen	38	Independent non-executive Director	August 29, 2019

Profile of Directors, Supervisors and Senior Management

Non-executive Directors

Mr. DUAN Hongwei (段宏偉), aged 58, 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 Zhongguancun Lingchuang Financial Information Services Co., Ltd. (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, and he also served as the general manager of the technology finance department of ZGC Group from June 2021 to December 2021. He served as the chairman 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 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 46, is a non-executive Director. Mr. Lou has served as the director of the capital operation department of ZGC Group since June 2021, and he also 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. 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 successively served as a vice director (presiding) and director of the strategy management department (previously known as strategy development department) of ZGC Group from April 2015 to June 2021, 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, respectively.

Profile of Directors, Supervisors and Senior Management

Mr. ZHANG Shuqing (張書清), aged 48, 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 served as the vice general manager (presiding) and executive vice manager of the technology finance department of ZGC Group from June 2018 to December 2021, 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 22, 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) 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.

Mr. DU Yunchao (杜雲超), aged 51, has been serving as the director of the financial department of 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) since July 2017. Mr. Du served as the vice director of Chaoyang District of Beijing Municipal Audit Bureau (北京市朝陽區審計局) from December, 2011 to July, 2017. From December 2003 to December 2011, he successively served as a vice principal staff member, a principal staff member (主任科員) and a deputy director in planning and finance division of administration and finance department of Liaison Office of the Central People's Government in the Hong Kong Special Administrative Region (中央人民政府駐香港特別行政區聯絡辦公室). He served as a deputy section chief of the office of statistics and evaluation in the Chaoyang District of Beijing Municipal Finance Bureau (北京市朝陽區財政局) from January 2002 to December 2003. And he successively served as a staff member, a vice principal staff member and a deputy section chief of comprehensive department in Chaoyang District of Beijing Municipal Administration of State-owned Assets (北京市朝陽區國有資產管理局) from July 1993 to January 2002.

Mr. Du obtained a college degree in trade and economics and a bachelor's degree in business administration from Capital University of Economics and Business (首都經濟貿易大學) in July 1997 and July 2001, respectively.

Executive Directors

Mr. HE Rongfeng (何融峰), aged 54, 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), majoring 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 47, 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, and 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 62, is an independent non-executive Director. Mr. Cheng has extensive working experience in finance lease industry. He has been serving as the chairman of Finance Leasing Research Center of Zhejiang University (School of economics, Institute of Finance) (浙江大學(經済学院、金融研究院)融資租賃研究中心) since March 2017. He served as the chairman 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 56, 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 (stock code: 0425), (2) Sinomax Group Limited (stock code: 1418), (3) Kam Hing International Holdings Limited (stock code: 2307), (4) Sinopharm Group Co., Ltd. (stock code: 1099) and (5) Henan Jinma Energy Company Limited (stock code: 6885).

Save as disclosed above, Mr. Wu was an independent non-executive director of (1) China Machinery Engineering Corporation and (2) Beijing Media Corporation Limited (stock code: 1000), a company listed on the Main Board of the Stock Exchange. He was an independent director of Olympic Circuit Technology Co., Ltd. (stock code: 603920), a company listed on Shanghai Stock Exchange in the last three years. On February 10, 2022, the Listing Committee of the Stock Exchange issued a statement in which, among others, certain members and former members of the board of Beijing Media Corporation Limited have been criticized, details of which in respect of Mr. Wu (as a former independent non-executive director of such company) are set out in the Company's announcement dated February 15, 2022.

Mr. Wu obtained a bachelor's degree of business administration in accounting from the Hong Kong Baptist University and a master's degree of business administration (MBA) jointly from the University of Manchester and the University of Wales. He 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 Chartered Governance Institute.

Ms. LIN Zhen (林 禎), aged 38, is an independent non-executive Director. Ms. Lin has been 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 information regarding the Supervisors.

Name	Age	Position	Date of Appointment as Supervisor
Mr. ZHANG Jian	51	Chairman of the board of Supervisors	August 13, 2019
Mr. TIAN Anping	43	Supervisor	August 13, 2019
Mr. FANG Fang	41	Supervisor	August 13, 2019
Mr. KAN Wei	54	Supervisor	May 28, 2021
Mr. TONG Chao	44	Supervisor	August 13, 2019
Ms. ZHOU Di	44	Supervisor	August 13, 2019
Ms. HAN Nana	40	Supervisor	August 13, 2019

Mr. ZHANG Jian (張健), aged 51, is the chairman of the board of Supervisors. Mr. Zhang has been the director of ZGC Group office since June 2021, prior to which he served as the vice director (presiding) and director of the capital operation department of ZGC Group from December 2015 to June 2021. 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 July 2020, as the chairman of the Board of Tibet Shenzhou Ruilin Environment Protection Technology Co., Ltd. (西藏神州瑞林環保科技股份有限公司) 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 International Culture Industry Fund Management Co., Ltd. (北京東方國際文化產業基金管理有限公司) 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 (presiding) 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 a doctor's 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 43, is a supervisor of the Company. 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 the director of the Party-masses work department, primarily responsible for CPC-related affairs. He is currently a manager of the audit department, primarily responsible for internal audit of the company. 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 41, is a supervisor of the Company. 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. KAN Wei (闞巍), aged 54, obtained a bachelor's degree in industrial foreign trade from the department of economics and management of Hunan University (湖南大學) in June 1990 and a master's degree in international finance from UNSW Business School, Australia (澳大利亞新南威爾士大學商學院) in April 2002. He has successively served as a deputy finance director, a finance director and a president assistant of Beijing OriginWater Technology Co., Ltd. (北京碧水源淨水科技有限公司) since June 2017, he has been serving as the executive president of the company since December 2016, and he served as the executive deputy general manager of the company from April 2011 to April 2013. He successively served as the chief representative, CFO, vice president and president of Shanghai representative office in Altron (Guangzhou) Information Technology Co., Ltd. (阿爾創(廣州)信息技術有限公司) from April 2001 to May 2010, and he served as the deputy manager of Dalian branch of Kawasaki Kisen Kaisha (China) Co., Ltd. (川崎汽船(中國)有限公司大連分公司) from May 1990 to June 1998.

Profile of Directors, Supervisors and Senior Management

Mr. TONG Chao (佟超), aged 44, is a supervisor of the Company. Since joining the Company in April 2013, Mr. Tong successively served as the general manager of the leasing department, risk management department and information technology department 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.

Ms. ZHOU Di (周迪), aged 44, is a supervisor of the Company. 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 40, is a supervisor of the Company. Since joining the Company in March 2018, Ms. Han has been serving as a vice director of 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 and a deputy division chief (presiding) 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 information regarding the senior management of the Company.

Name	Age	Position	Timing of joining the Company
Mr. DOU Jiyan	43	Deputy general manager and head of risk management team	April 30, 2013
Ms. YANG Pengyan	45	Deputy general manager	April 30, 2013
Mr. LIU Shouquan	40	General manager assistant	November 1, 2013
Mr. LIANG Jingji	45	General manager assistant	April 30, 2013
Mr. XU Junhua	58	Chief economist	June 1, 2021
Mr. GAO Wei	55	Company secretary	June 17, 2019

Profile of Directors, Supervisors and Senior Management

Mr. DOU Jiyan (竇繼岩), aged 43, is a deputy general manager and head of risk management team of the Company and is responsible for life sciences & healthcare business and internet-based products & services business, and "health & consumption" business partnership management. 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. 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 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. (鬥山(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.

Ms. YANG Pengyan (楊鵬艷), aged 45, is a deputy general manager of the Company and is primarily responsible for innovation division team, marketing team, human resources and Party-masses work team. 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.

Profile of Directors, Supervisors and Senior Management

Mr. LIU Shouquan (劉守泉), aged 40, is a general manager assistant of the Company and is primarily responsible for big data, eco-solutions and intelligent manufacturing business, and "intelligent manufacturing" business partnership management. 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 remote learning course.

Mr. LIANG Jingji (梁經基), aged 45, is the general manager assistant and is primarily responsible for operation of project reviews, assets management team, risk management team and audit 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.

Profile of Directors, Supervisors and Senior Management

Mr. XU Junhua (許均華), aged 58, is the chief economist of the Company and has the certificate of senior economist. Mr. Xu has been mainly responsible for the operation of the strategy development team and the general office of the Company since joining the Company in June 2021. Mr. Xu has been working in banking, securities, trust and other financial work for a long time, and he also serves as an industry tutor of PBC School of Finance, Tsinghua University (清華大學五道口金融學院), School of Finance of Central University of Finance (中央財經大學金融學院) and Economics and Beijing National Accounting Institute (北京國家會計學院). Prior to joining the Company, Mr. Xu served as the vice president of China Overseas Holding Group from September 2018 to May 2021; the chief financial strategy expert of ZGC Group from August 2016 to August 2018; the chairman of Beijing Hongru Financial Education Foundation (北京鴻儒金融教育基金會) from May 2015 to October 2018; the president of National Modern Financial Holdings Co., Ltd. (全國現代金融控股有限公司) from August 2011 to May 2015; and the chief economist of ZhongCheng Trust Co., Ltd. (中誠信託有限責任公司) from August 1995 to August 2011. In August 1992, he participated in the establishment of China Southern Securities Co., Ltd. (南方證券股份有限公司) and successively served as the general manager and office director of research and consulting department, general manager of Nanjing Branch, general manager of investment banking business headquarters, director of Research Institute, president assistant and vice president. In June 1987, he joined the head office of Agricultural Bank of China (中國農業銀行) and successively served as a leader of the industrial credit department and a vice director level researcher of the research office.

Mr. Xu graduated from Hunan University of Finance and Economics (湖南財經學院,now known as Hunan University (湖南大學)) with a bachelor's degree in economics in June 1984. He graduated from the Graduate School of People's Bank of China (中國人民銀行研究生部, now known as PBC School of Finance, Tsinghua University (清華大學五道口金融學院)) with a master's degree in economics in June 1987. He graduated from the Graduate School of the Chinese Academy of Social Sciences (中國社會科學院研究生院) with a doctor's degree in economics in December 1990.

Mr. GAO Wei (高偉), aged 55, is the company secretary of the Company. Mr. Gao has extensive experience in corporate financing and managing overseas-listed companies. He is now one of the council members of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries) and he serves as its vice president; 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 2021, 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 Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. 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, Beijing Arbitration Commission and Shanghai Arbitration Commission.

Management Discussion and Analysis

	For the year ended December 31,				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Operating Performance					
Revenue	**656,943**	587,565	515,340	412,783	358,581
Interest income	**541,367**	480,944	420,698	340,571	283,771
Advisory fee income	**115,576**	106,621	94,642	72,212	74,810
Other net income	**14,423**	19,079	18,759	16,331	9,606
Interest expense	**(246,545)**	(232,839)	(220,978)	(168,012)	(155,134)
Operating expense	**(129,407)**	(116,141)	(100,190)	(74,854)	(56,820)
Impairment losses charged	**(53,004)**	(44,467)	(27,768)	(27,364)	(25,969)
Share of gains/(losses) of associates	**19,391**	(1,687)	(265)	–	–
Net foreign exchange gains/ (losses)	**(175)**	3,999	(12)	–	–
Profit before taxation	**261,626**	215,509	184,886	158,884	130,264
Net profit	**195,917**	161,466	138,256	118,996	97,435
Basic and diluted earnings per Share (in RMB)	**0.15**	0.12	0.14	0.12	0.13
Profitability					
Return on average equity[(1)]	**9.9%**	9.8%	10.3%	9.6%	10.6%
Return on average assets[(2)]	**2.2%**	2.1%	2.1%	2.2%	2.1%
Net interest margin[(3)]	**3.8%**	3.6%	3.4%	3.6%	2.9%
Net interest spread[(4)]	**2.6%**	2.4%	2.2%	2.4%	2.2%
Net profit margin[(5)]	**29.8%**	27.5%	26.8%	28.8%	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.

Management Discussion and Analysis

	As of December 31,				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets and liabilities					
Total assets	**9,428,623**	8,165,054	6,988,985	5,968,956	4,999,834
Net amount of finance lease receivables	**8,472,832**	7,382,156	6,424,127	5,376,794	4,421,144
Total liabilities	**7,374,542**	6,249,239	5,596,729	4,681,195	3,797,118
Interest-bearing bank and other financing	**5,371,076**	4,153,046	4,158,382	3,319,747	2,612,265
Total equity	**2,054,081**	1,915,815	1,392,256	1,287,761	1,202,716
Net assets per share (in RMB)	**1.54**	1.44	1.39	1.29	1.20
Financial assets and liabilities(1)					
Financial assets	**10,076,299**	8,766,671	7,436,344	6,332,819	5,232,702
Financial liabilities	**7,285,484**	6,212,404	5,614,668	4,610,932	3,745,652
Financial Indicators					
Liability to asset ratio(2)	**78.2%**	76.5%	80.1%	78.4%	75.9%
Risk asset to equity ratio(3)	**426.4%**	397.4%	480.9%	437.6%	387.6%
Liquidity ratio(4)	**137.1%**	104.0%	117.7%	112.2%	145.5%
Gearing ratio(5)	**261.5%**	216.8%	298.7%	257.8%	217.2%
Interest-earning asset quality					
NPA ratio(6)	**1.5%**	1.5%	1.3%	1.3%	1.5%
Allowance coverage ratio for NPAs(7)	**175.9%**	163.2%	158.0%	151.2%	118.0%

Notes:

(1) Calculated based on contractual undiscounted cash flows.

(2) Calculated by dividing total liabilities by total assets as of the end of the year.

(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 consist of borrowings.

(6) Represent the percentage of non-performing assets ("**NPA**") 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 2021, China remained a global leader in economic growth and COVID-19 prevention and control, with an annual GDP growth rate of 8.1%, ranking first among major economies. Technology-based small and medium-sized enterprises have become an important engine of China's economy, and relevant assistance policies have been issued. In September 2021, the Beijing Stock Exchange was established which focuses on supporting specialized, refined, differentiated and innovative small and medium-sized enterprises. The Ministry of Industry and Information Technology announced in January 2022 that the Measures for Evaluation and Development of Innovative Small and Medium-sized Enterprises would be introduced with an aim to support 3,000 "little giant" enterprises in a year. It is expected that science and technology innovation financial service providers represented by our company will enjoy policy benefits.

In terms of financial environment, in 2021, China continued to maintain prudent monetary policies, secured reasonably sufficient liquidity, further deepened the structural reform on the financial supply side, and continued to increase support for the real economy and technological innovations. By the end of December 2021, the balance of broad money (M2) was RMB238.29 trillion, representing a year-on-year increase of 9.0%; the aggregate financing to the real economy was RMB314.13 trillion, representing a year-on-year increase of 11.3%. In particular, the balance of RMB loans to the real economy was RMB191.54 trillion, representing a year-on-year increase of 11.6%; the comprehensive financing cost of the real economy decreased steadily. The enterprise loan interest rate in 2021 was 4.61%, 0.1 percentage point lower than that in 2020, being the lowest level in over four decades since China's Reform and Opening Up.

In terms of industry development, as the financial product most closely connected with the real economy, finance leasing has played a vital role in serving small and medium-sized enterprises, promoting industrial upgrading and optimizing resource allocation. It has become a major part of China's modern service industry and an important driver of economic growth. With the promulgation and release of the Regulation on Local Financial Supervision and Administration (draft for comments) by the People's Bank of China, this financial policy intensive period in recent years approaches its end. Relevant policies will guide the finance leasing industry to "restore its initial functions", realize professional and characteristic development, further standardize the industry, and benefit the leading finance leasing enterprises in sub fields.

Source: The People's Bank of China

1.2 Company's Response

2021 is the starting year of China's 14th Five Year Plan and the second year since the Company entered the international capital market. In the face of the complex economic situation, all staff members have been working with great devotion and completed all tasks with high standard and quality. Our major progresses are as follows:

First, our finance leasing business continued to grow. The lease investment was about RMB6.17 billion, representing a year-on-year increase of about 17.1%; 147 new customers joined. The company adhered to specializing businesses, focused on the innovation chain, value chain and financial chain of sub industries, promoted the specializing and deepening of leasing business, and explored high-quality customer resources in multiple sub fields including big data, eco-solutions, life sciences & healthcare, intelligent manufacturing and internet-based products & services. At the same time, we began to implement the regional expansion strategy, at which stage we would help make connections among various high-quality channel resources as a business partner to promote exponential growth of business.

Second, "Leasing-based Equity Investment" has achieved initial results. In 2021, Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd invested in 7 projects, with a delivery amount of RMB95 million, a year-on-year increase of about 50% compared with 2020. All invested projects are our lease customers. The first project exit has been completed, contributing nearly RMB20 million to the Company's profit. The Company is also in the course of establishing the Zhongguancun Zhuanjingtexin Fund II, with a predicted size of RMB500 million. The Company's share option pool continues to grow, continuously preparing for future development momentum.

Third, product innovation has been implemented. The Company officially released intellectual property financing products in September 2021. On the basis of policy support, expert consultation and peer research, the Company built two new products: intellectual property sale-and-leaseback and intellectual property secondary license, to solve the difficulty for science and technology innovation enterprises to finance with intangible assets. Since the launch of the products, investment has been given to 29 projects during the year, with an investment amount of 220 million, of which "specialized, refined, differentiated and innovative" projects accounted for 41%.

Fourth, the financing capacity has been significantly improved. The annual financing reached RMB5.7 billion, ensuring the Company's annual business investment. We explored innovative financing tools and launched the first ABN since the establishment of the Company, with RMB990 million issued. The financing cost has reached a record low and reached the level of AAA credit enterprises. The issuing cost of the first ABN was as low as 3.9%, and the cost of two ABS were as low as 4% and 3.8% respectively.

Fifth, the brand operation has achieved ideal results. We successfully hosted the New Material Themed Contest of the Sixth "Maker China" national contest for the first time, gained experience in organizing major contests and excellent cooperation resources; the Company gained a total of 150 customers from this contest and established strategic partnerships with 5 leading investment institutions. In review of its experience in serving small and medium-sized science and technology innovation enterprises for many years, the Company put forward the innovative concept of the "creator of science and technology innovation enterprise corporate credit" brand label, carried out a series of publicity activities and was featured in mainstream media including The Economic Daily, Financial Times, China Securities Journal, People.cn and Gmw.cn.

2. ANALYSIS OF PROFIT OR LOSS

2.1 Overview

In 2021, 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 2021, the Group realized a total revenue of RMB656.9 million, representing a 11.8% year-on-year growth, and the profit during the year increased to RMB195.9 million, representing a 21.3% year-on-year growth.

2.2 Revenue

The revenue of the Group increased by 11.8% from RMB587.6 million in 2020 to RMB656.9 million in 2021, and the interest income and advisory fee income recorded stable growth. In 2021, the Group realized an interest income of RMB541.4 million, accounting for 82.4% of the total revenue and representing a 12.6% year-on-year growth. Advisory fee income increased by 8.4% to RMB115.6 million in 2021.

The following table sets forth the breakdown of revenue from interest income and advisory fee income for the periods indicated:

	For the year ended December 31,				
	2021		2020		Changes
	RMB'000	% of total	RMB'000	% of total	
Interest income	541,367	82.4%	480,944	81.9%	12.6%
Advisory fee income	115,576	17.6%	106,621	18.1%	8.4%
Total revenue	656,943	100.0%	587,565	100.0%	11.8%

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 2021, the Group continued to cultivate technology and new economy industries, and optimize the asset structure. In 2021, the revenue of the internet-based products & services and life sciences & healthcare divisions increased by 30.0% and 21.3%, respectively, compared with the last year.

The following table sets forth the contribution by industry to total revenue for the years indicated:

	For the year ended December 31,				
	2021		2020		Changes
	RMB'000	% of total	RMB'000	% of total	
Eco-solutions	203,402	31.0%	189,603	32.3%	7.3%
Life sciences & healthcare	146,047	22.2%	120,418	20.5%	21.3%
Intelligent manufacturing	118,556	18.0%	105,808	18.0%	12.0%
Internet-based products & services	101,057	15.4%	77,357	13.2%	30.0%
Big data	68,112	10.4%	77,728	13.2%	(12.0%)
Others	19,769	3.0%	16,651	2.8%	18.7%
Total revenue	656,943	100.0%	587,565	100.0%	11.8%

In 2021, 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 that nursed and nurtured a growing number of Chinese technology and new economy companies such as the Yangtze River Delta, the Greater Bay Area and the middle reaches of the Yangtze River. Notably, the business growth in eastern region of China was remarkable, with an increase of 39.6% from the previous year.

The following table sets forth the breakdown of revenue by major geographical areas for the years indicated:

	For the year ended December 31,			
	2021		2020	
	RMB'000	% of total	RMB'000	% of total
Northern	308,057	46.9%	310,512	52.8%
Eastern	160,852	24.5%	115,192	19.6%
Central	59,555	9.1%	49,937	8.5%
Southern	48,266	7.3%	37,970	6.5%
Northwestern	39,470	6.0%	41,597	7.1%
Northeastern	21,345	3.2%	16,845	2.9%
Southwestern	19,398	3.0%	15,512	2.6%
Total revenue	656,943	100.0%	587,565	100.0%

2.2.1 Interest Income

The interest income of the Group increased by 12.6% from RMB480.9 million in 2020 to RMB541.4 million in 2021, accounting for 82.4% of the total revenue.

The following table sets forth the amount of average balance of interest-earning assets, interest income and the average yield by industry for the years indicated:

	For the year ended December 31,					
	2021			2020		
	Average balance of interest-earning assets[1]	Interest income	Average yield of interest-earning assets[2]	Average balance of interest-earning assets	Interest income	Average yield of interest-earning assets
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Eco-solutions	2,647,623	174,053	6.6%	2,236,673	156,070	7.0%
Life sciences & healthcare	1,612,916	115,558	7.2%	1,414,496	98,552	7.0%
Intelligent manufacturing	1,571,242	90,424	5.8%	1,332,213	88,688	6.7%
Internet-based products & services	1,165,799	86,887	7.5%	947,068	59,041	6.2%
Big data	917,625	59,195	6.5%	939,973	64,936	6.9%
Others	221,180	15,250	6.9%	192,712	13,657	7.1%
Total	8,136,385	541,367	6.7%	7,063,135	480,944	6.8%

Notes:

(1) Calculated by dividing the sum of finance lease receivables before allowances for impairment losses at the beginning of the period and at the end of the period 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 interest-earning assets increased by 15.2% from RMB7,063.1 million in 2020 to RMB8,136.4 million in 2021. Particularly, internet-based products & services and eco-solutions industries demonstrated strong growth in the scale, with an increase of 23.1% and 18.4%, respectively, as compared to the previous year.

Analysis by average yield of interest-earning assets

In 2021, the average yield of interest-earning assets of the Group was 6.7%, representing a deduction of 0.1 percentage point from 6.8% in the last year. This was due to the decrease in the Group's interest expense yield from 4.6% to 4.1%, and the net interest spread and net interest margin increased at the same time, showing the continuous improvement of the Group's business premium capability and operating capability while reducing costs.

2.2.2 Advisory Fee Income

The advisory fee income of the Group increased by 8.4% from RMB106.6 million in 2020 to RMB115.6 million in 2021, accounting for 17.6% of the total revenue.

The Group delivered a variety of advisory services to its customers, including management and business consulting and policy advisory.

The following table sets forth the contribution by service category to advisory fee income for the periods indicated:

	For the year ended December 31,				
	2021		2020		Changes
	RMB'000	% of total	RMB'000	% of total	
Management and business advisory fee income	38,968	33.7%	30,529	28.6%	27.6%
Policy advisory fee income	76,608	66.3%	76,092	71.4%	0.7%
Total advisory fee income	115,576	100.0%	106,621	100.0%	8.4%

The following table sets forth the contribution by industry to advisory fee income for the years indicated:

	For the year ended December 31,				
	2021		2020		Changes
	RMB'000	% of total	RMB'000	% of total	
Life sciences & healthcare	30,489	26.4%	21,867	20.5%	39.4%
Eco-solutions	29,350	25.4%	33,533	31.5%	(12.5%)
Intelligent manufacturing	28,132	24.3%	17,119	16.0%	64.3%
Internet-based products & services	14,170	12.3%	18,316	17.2%	(22.6%)
Big data	8,917	7.7%	12,792	12.0%	(30.3%)
Others	4,519	3.9%	2,994	2.8%	50.9%
Total revenue	115,576	100.0%	106,621	100.0%	8.4%

2.3 Interest Expense

The interest expense of the Group increased by 5.9% from RMB232.8 million in 2020 to RMB246.5 million in 2021, primarily because with the expansion of financing scale, the Group continued to optimize the financing structure and reduce the new financing cost, and the overall interest expense of the company achieved a minor increase.

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. Furthermore, the Group made significant efforts in strengthening its collaborative relationship with various financial institutions in the market to optimize the funding structure, actively explore new financing channels, and reasonably and effectively control financing costs.

The following table sets forth the breakdown of our interest expense by funding sources for the periods indicated:

	For the year ended December 31,				
	2021		2020		Changes
	RMB'000	% of total	RMB'000	% of total	
Commercial banks	100,612	40.7%	86,891	37.3%	15.8%
Borrowings from related parties[1]	41,816	17.0%	45,299	19.5%	(7.7%)
Asset-backed securities	45,543	18.5%	53,754	23.1%	(15.3%)
Imputed on interest-free guaranteed deposits	57,368	23.3%	46,121	19.8%	24.4%
Lease liabilities	1,206	0.5%	774	0.3%	55.8%
Total interest expense	246,545	100.0%	232,839	100.0%	5.9%

Note:

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

In 2021, the interest income rate of the Group was 4.1%, representing a decrease of 0.5 percentage point from the previous year, mainly due to the Group's active management of capital position and financing cost, which improved capital utilization efficiency, optimized liability structure, and reasonably and effectively reduced financing cost.

The following table sets forth the average balance, interest expense and interest expense yield of borrowings for the periods indicated:

	For the year ended December 31,					
	2021			2020		
Borrowings[1]	Average balance[2] RMB'000	Interest expense RMB'000	Interest expense yield[3]	Average balance RMB'000	Interest expense RMB'000	Interest expense yield
Commercial banks	2,377,061	100,612	4.2%	1,913,485	86,891	4.5%
Borrowings from related parties	980,000	41,816	4.3%	1,069,231	45,299	4.2%
Asset-backed securities	1,222,628	45,543	3.7%	1,071,975	53,754	5.0%
Total borrowings	4,579,689	187,971	4.1%	4,054,691	185,944	4.6%

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 monthly balance of borrowings.

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

2.4 Net Interest Spread and Net Interest Margin

Net interest spread of the Group in 2021 increased by 0.2 percentage point to 2.6% as compared to the last year. The net interest margin of the Group was 3.8%, representing an increase of 0.2 percentage point from 3.6% in the previous year, mainly because the growth rate of net interest income was greater than the growth rate of the average balance of interest-earning assets.

The following table sets forth the net interest margin and relevant figures for the periods indicated:

	For the year ended December 31,		
	2021	2020	**Changes**
	RMB'000	RMB'000	
Interest income	**541,367**	480,944	12.6%
Interest expenses	**(246,545)**	(232,839)	5.9%
Net interest income	**294,822**	248,105	18.8%
Interest income yield[(1)]	**7.0%**	7.0%	0.0%
Interest expense yield[(2)]	**4.4%**	4.6%	(4.3%)
Net interest spread[(3)]	**2.6%**	2.4%	8.3%
Net interest margin[(4)]	**3.8%**	3.6%	5.6%

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.

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

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

2.5 Other Net Income

In 2021, other net income obtained by the Group was RMB14.4 million.

The following table sets forth the breakdown of other net income of the Group for the periods indicated:

	For the year ended December 31, 2021 RMB'000	2020 RMB'000	Changes
Government grants	5,490	13,194	(58.4%)
Interests from deposits	5,885	5,297	11.1%
Investment income	281	451	(37.7%)
Income from related parties	2,575	–	N/A
Others	192	137	40.1%
Total other net income	14,423	19,079	(24.4%)

2.6 Operating Expense

In 2021, operating expense of the Group amounted to RMB129.4 million, representing an increase of RMB13.3 million or a growth rate of 11.4%.

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

	For the year ended December 31,				
	2021		2020		Changes
	RMB'000	% of total	RMB'000	% of total	
Staff cost	71,987	55.6%	67,688	58.3%	6.4%
Rental expense	2,207	1.7%	2,289	2.0%	(3.6%)
Service expense	14,152	10.9%	15,013	12.9%	(5.7%)
Depreciation and amortization	19,131	14.8%	14,164	12.2%	35.1%
Professional service expense	10,425	8.1%	6,132	5.3%	70.0%
Listing expense	–	–	3,199	2.8%	(100.0%)
Others	11,505	8.9%	7,656	6.5%	50.3%
Total operating expense	129,407	100.0%	116,141	100.0%	11.4%

2.7 Impairment Losses Charged

Impairment losses charged primarily related to loans and receivables and credit commitments of the Group. In 2021, the expected credit impairment losses of the Group amounted to RMB53.0 million, representing a year-on-year increase of 19.2%, 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 overall risk resistance capacity by increasing the asset impairment losses and further improving the asset quality of the Group.

The following table sets forth a breakdown of our impairment losses charged for the years indicated:

	For the year ended December 31,		
	2021	2020	**Changes**
	RMB'000	RMB'000	
Loans and receivables	**53,072**	44,724	18.7%
Credit commitments[1]	**(68)**	(257)	(73.5%)
Impairment losses charged	**53,004**	44,467	19.2%

Note:

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

2.8 Income Tax Expense

In 2021, income tax expense of the Group was RMB65.7 million, an increase of RMB11.7 million or 21.6% as compared to the previous year, contributed by the increase of pre-tax profit.

The effective tax rate of the Group in 2021 was 25.1%.

2.9 Profit for the Year

The net profit of the Group in 2021 was RMB195.9 million, representing an increase of RMB34.5 million, or a growth rate of 21.3% from 2020. The increase in profit for the year was the combined effect of (i) the increase of 11.8% in the revenue, (ii) the increase of 5.9% in interest expense, which was less than the increase in revenue; and (iii) the Group's leasing-investment linkage business progressed smoothly, and the investment income in associates increased from RMB-1.7 million to RMB19.3 million. For detail of the above changes, please refer to the discussion and analysis in paragraphs headed "2.2 Revenue and 2.3 Interest Expense" of this section.

In summary, in the face of the complicated international and domestic political and economic environment, the Group has adopted active measures to broaden business channels and optimize profit structure, realizing the steady growth of operating revenue income and the steady improvement of asset quality. It is expected that with the enhancement of the Group's net capital and the further expansion of the finance leasing business together with the improvement of digital capabilities, the Group's customer scale and the operation efficiency will be improving constantly, and the profitability will be enhanced considerably.

2.10 Basic Earnings per Share

Basic earnings per share for 2021 amounted to RMB0.15, representing an increase of RMB0.03 from 2020, due to the further enhancement of the Group's profitability in 2021.

3. ANALYSIS OF FINANCIAL POSITION

3.1 Assets (Overview)

As of December 31, 2021, the total assets of the Group amounted to RMB9,428.6 million, representing a growth of RMB1,263.6 million or 15.5% as compared to the end of last year. Loans and receivables amounted to RMB8,472.8 million, representing a jump of RMB1,090.7 million or 14.8% as compared to the end of last year. In terms of the asset structure, loans and receivables accounted for 89.9% of total assets, and cash and cash equivalents accounted for 6.9% of total assets.

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

	As of December 31, 2021		As of December 31, 2020		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Loans and receivables	**8,472,832**	**89.9%**	7,382,156	90.3%	14.8%
Pledged and restricted deposits	**19,231**	**0.2%**	137,830	1.7%	(86.0%)
Cash and cash equivalents	**650,163**	**6.9%**	413,273	5.1%	57.3%
Trade and other receivables	**34,715**	**0.4%**	71,380	0.9%	(51.4%)
Deferred tax assets	**66,638**	**0.7%**	53,224	0.7%	25.2%
Property and equipment	**42,265**	**0.4%**	13,037	0.2%	224.2%
Interest in associates	**116,219**	**1.2%**	72,328	0.9%	60.7%
Financial assets at fair value through other comprehensive income	**11,986**	**0.1%**	11,521	0.1%	4.0%
Financial assets at fair value through profit or loss	**1,000**	**0.0%**	–	–	N/A
Intangible assets	**13,574**	**0.2%**	10,305	0.1%	31.7%
Total assets	**9,428,623**	**100.0%**	8,165,054	100.0%	15.5%

3.2 Loans and Receivables

In 2021, the Group entered into 422 financial lease contracts with 287 lessees. Driven by the expansion of business scale, our loans and receivables continued to climb. As of December 31, 2021, net amount of loans and receivables of the Group amounted to RMB8,708.3 million, representing a soar of 15.1% as compared to the end of last year.

The following table sets forth the breakdown of loans and receivables of the Group as of the dates indicated:

	As of December 31, 2021 RMB'000	As of December 31, 2020 RMB'000	Changes
Gross amount of loans and receivables	**9,388,396**	8,197,267	14.5%
Less: Unearned finance income	**(680,138)**	(632,757)	7.5%
Net amount of loans and receivables	**8,708,258**	7,564,510	15.1%
Less: Allowances for impairment losses	**(235,426)**	(182,354)	29.1%
Carrying amount of loans and receivables	**8,472,832**	7,382,156	14.8%

3.2.1 Industry Profile of Loans and Receivables

In 2021, 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 amount of loans and receivables made steady progress, of which the intelligent manufacturing business division increased by RMB513.5 million, representing an increase of 39.1% and the life sciences & healthcare business division increased by RMB242.6 million, representing an increase of 16.3%.

The following table sets forth a breakdown of the net amount of loans and receivables by industries as of the dates indicated:

	As of December 31, 2021		As of December 31, 2020		Changes
	RMB'000	% of total	RMB'000	% of total	
Eco-solutions	2,784,498	32.0%	2,510,748	33.1%	10.9%
Intelligent manufacturing	1,827,974	21.0%	1,314,510	17.4%	39.1%
Life sciences & healthcare	1,734,216	19.9%	1,491,616	19.7%	16.3%
Internet-based products & services	1,185,359	13.6%	1,146,238	15.2%	3.4%
Big data	913,807	10.5%	921,443	12.2%	(0.8%)
Others	262,404	3.0%	179,955	2.4%	45.8%
Net amount of loans and receivables	8,708,258	100.0%	7,564,510	100.0%	15.1%

3.2.2 *Geographical Region Profile of Loans and Receivables*

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

	As of December 31, 2021		As of December 31, 2020		Changes
	RMB'000	% of total	RMB'000	% of total	
Northern	3,741,615	43.0%	3,583,235	47.4%	4.4%
Eastern	2,439,253	28.0%	1,646,482	21.8%	48.1%
Central	876,171	10.1%	818,808	10.8%	7.0%
Southern	534,225	6.1%	514,983	6.8%	3.7%
Northwestern	475,648	5.5%	520,665	6.9%	(8.7%)
Northeastern	369,090	4.2%	234,662	3.1%	57.3%
Southwestern	272,256	3.1%	245,675	3.2%	10.8%
Net amount of loans and receivables	8,708,258	100.0%	7,564,510	100.0%	15.1%

3.2.3 Maturity Profile of Loans and Receivables

As of December 31, 2021, 56.4% of the net amount of loans and receivables of the Group as set out in the table above was due not later than one year. As the Group promoted balanced business development, it is expected that the cash inflow from operation will remain stable in the future.

The following table sets forth the maturity analysis of the net amount of finance lease receivables as of the dates indicated:

	As of December 31, 2021		As of December 31, 2020		Changes
	RMB'000	% of total	RMB'000	% of total	
Maturity					
Not later than 1 year	**4,912,295**	**56.4%**	4,112,931	54.4%	19.4%
1 to 2 years	**2,601,235**	**29.9%**	2,244,571	29.7%	15.9%
2 to 3 years	**1,042,837**	**12.0%**	922,495	12.2%	13.0%
Over 3 years	**151,891**	**1.7%**	284,513	3.7%	(46.6%)
Net amount of loans and receivables	**8,708,258**	**100.0%**	7,564,510	100.0%	15.1%

3.2.4 Asset Quality of Loans and Receivables

The Group has been closely monitoring the quality of lease assets and implemented five-level standard since 2013, which classifies loans and receivables into five categories, namely (1) normal; (2) special mention; (3) sub-standard; (4) doubtful; and (5) loss. The latter three with credit impairment are classified as non-performing assets.

Loans and Receivables Classification

1. Normal. The lessee is able to perform and has been performing its obligations under the finance lease agreement, and we have no reason to doubt our ability to recover the full amount of the lease receivable. Lease payments related to loans and 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 finance lease agreement, but there are adverse factors which may negatively impact our ability to recover the full amount of the lease receivable. Such factors include macro environment, industry policies, management ability of the lessee, credit profile, value of leased assets and lessees' willingness to pay.

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

4. Doubtful. The lessee has demonstrated great 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 2021, the international and domestic situation were complicated and the industry competition and supervision intensified. In the face of the severe and complex external environment, the Group firmly grasped the key opportunities of transformation and breakthroughs, continued to innovate products and mechanisms, expanded the channels for the introduction of high-quality assets. The Group also shaped digital capabilities in an all-round way and optimized the asset management system to improve asset disposal capabilities and asset quality. In 2021, the Group's asset security and the allowance coverage ratio for NPAs improved steadily, and the asset quality continued to be optimized.

Adhere to the origin of finance leasing and expand the channel for the introduction of high-quality assets

During the Reporting Period, based on professional capacity-building and adhering to the origin of leasing, the Group further optimized and enriched the identification and valuation system of high-quality assets. Furthermore, the Group also promoted the specialization and deepening of finance leasing business and implemented product innovation to expand the import channel of high-quality assets.

Comprehensively shaping digital capability and optimizing asset management system

During the Reporting Period, the Group strengthened data governance, increased investment and construction of digital infrastructure to consolidate the foundation of data assets. The Group also improved data collection and analysis capabilities to release data value. Meanwhile, the Group deepened the integration of big data and finance leasing business processes by introducing IoT technology to enrich assets management tools.

Optimizing the risk disposal management system and improving the asset disposal capacity

During the Reporting Period, the Group continued to consolidate the judicial resource guarantee system, continuously optimized the working mechanism and the division of labor, actively expanded new ideas for asset disposal, explored and broadened NPAs disposal channels, and improved overdue handling capabilities. During the Reporting Period, the Group's ability to dispose of NPAs has significantly improved.

The following table sets forth a breakdown of our loans and receivables by classifications as of the dates indicated:

	As of December 31, 2021		As of December 31, 2020		Changes
	RMB'000	% of total	RMB'000	% of total	
Normal	8,264,776	94.9%	7,020,279	92.8%	17.7%
Special mention	309,661	3.6%	432,506	5.7%	(28.4%)
Sub-standard	62,335	0.7%	52,209	0.7%	19.4%
Doubtful	11,349	0.1%	59,516	0.8%	(80.9%)
Loss	60,137	0.7%	–	–	N/A
Net amount of loans and receivables	8,708,258	100.0%	7,564,510	100.0%	15.1%
NPAs	133,821		111,725		
NPAs ratio	1.5%		1.5%		

In 2021, the Group continued to adhere to prudent risk management, practiced strict risk monitoring and management throughout the chain, and enhanced the core competitiveness of serving technology and new economy industries. By practicing accurate identification, strict control and efficient resolution of various risks, the Group's overall asset quality continued to be optimized. Among them, the assets under normal accounted for 94.9% and the NPAs ratio remained stable. At the same time, based on the principle of prudent operation and risk control, the Group classified some high-risk projects into loss category and fully withdrawn risk reserves.

As of December 31, 2021, the assets under special mention accounted for 3.6% of total net amount of finance lease receivables, representing a 28.4%t decrease from 5.7% as of December 31, 2020. This was mainly due to the Group's continuous improvement of risk warning, monitoring and response capabilities during the Reporting Period.

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

	As of December 31, 2021		As of December 31, 2020		Changes
	RMB'000	% of total	RMB'000	% of total	
Intelligent manufacturing	154,216	49.8%	212,388	49.1%	(27.4%)
Eco-solutions	71,033	22.9%	68,739	15.9%	3.3%
Big data	56,818	18.3%	108,098	25.0%	(47.4%)
Internet-based products & services	24,614	7.9%	26,981	6.2%	(8.8%)
Life sciences & healthcare	2,980	1.0%	15,511	3.6%	(80.8%)
Others	–	–	789	0.2%	(100.0%)
Total special mention	309,661	100.0%	432,506	100.0%	(28.4%)

The assets under special mention in the intelligent manufacturing industry accounted for 49.8% of the total assets under special mention in 2021, a decrease of 27.4% from the previous year. Due to the unbalanced supply and demand of some commodities and excessive price fluctuations caused by the COVID-19, which led to fluctuations in the operation of some clients and the shortage of funds at times, the Group prudently adjusted more assets in this sector into special-mentioned assets.

The assets under special mention in the eco-solutions industry accounted for 22.9% of the total assets under special mention in 2021, an increase of 3.3% from the previous year. Mainly due to the normalization of the epidemic, some customers have already advanced or carried out the implementation of projects. However, some customers have certain operating pressures during the transition period. The Group has prudently adjusted some of the assets in this segment to special-mentioned assets.

The assets under special mention in the big data industry accounted for 18.3% of the total assets under special mention in 2021, a significant decrease of 47.4% from the previous year. Mainly due to the rapid development of the global digital economy, big data has become a national strategy, and the industry's prosperity has been significantly improved. However, with the further improvement of market concentration, the voice of some small and medium-sized enterprises has weakened, and they were facing certain pressures of service and operation upgrading. The Group has prudently adjusted some of the assets in this sector to special mention assets.

The following table sets forth the analysis on the Group's NPAs by industry:

	As of December 31, 2021		As of December 31, 2020		Changes
	RMB'000	% of total	RMB'000	% of total	
Big data	69,900	52.2%	40,810	36.5%	71.3%
Eco-solutions	34,718	25.9%	40,910	36.6%	(15.1%)
Internet-based products & services	15,063	11.3%	16,403	14.7%	(8.2%)
Intelligent manufacturing	4,973	3.7%	5,884	5.3%	(15.5%)
Life sciences & healthcare	4,947	3.7%	3,686	3.3%	34.2%
Others	4,220	3.2%	4,032	3.6%	4.7%
Total NPAs	133,821	100.0%	111,725	100.0%	19.8%

In 2021, the NPAs of big data industry accounted for 52.2% of the total NPAs, an increase of 71.3% over the previous year, mainly distributed in the subdivided fields of communication infrastructure and Internet operation services. Due to the impact of changes in policies, technology and market competition pattern in subdivided industries, the operation of individual customers was in trouble and the return of funds was difficult. The Group prudently classifies the assets of this sector as NPAs.

The NPAs in the eco-solution industry accounted for 25.9% of the total NPAs in 2021, a decrease of 15.1% over the previous year. With the weakening of the impact of the epidemic, the collection cycle of accounts receivable of some customers has been shortened, and the risk exposure of this sector has been reduced compared with the beginning of the year. The non-performing projects are all existing projects in the past. The new investment this year performed well, and the overall development of the industry is healthy. The Group prudently classifies assets in this segment as NPAs.

The NPAs in the internet-based products & services industry accounted for 11.3% of the total NPAs in 2021, a decrease of 8.2% over the previous year. Mainly due to the heavy dependence on offline consumption scenarios for the performance of individual customers, production and operation are facing stagnation. The Group prudently classifies the assets of this segment as NPAs.

3.2.5 *Impairment and Allowances for Loans and 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 RMB53.1 million from RMB182.4 million as of December 31, 2020 to RMB235.4 million as of December 31, 2021.

As of December 31, 2021, ratio of allowances for impairment losses to loans and receivables of the Group was 175.9%, which was 12.7 percentage point higher than that as of December 31, 2020. 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 loans and receivables.

The following table sets forth a summary of allowance for loans and receivables as of the dates indicated:

	As of December 31, 2021		As of December 31, 2020	
	RMB'000	% of total	RMB'000	% of total
Allowances for NPAs	87,865	37.3%	70,576	38.7%
Allowances for assets under normal and special mention categories	147,561	62.7%	111,778	61.3%
Total allowance for loans and receivables	235,426	100.00%	182,354	100.0%
NPAs	133,821		111,725	
Ratio of allowances for impairment losses to loans and receivables	175.9%		163.2%	

The Group has been closely monitoring the credit quality of finance lease receivables by monitoring their ECL. As of December 31, 2021, ECL rate of financial lease receivables of the Group in stage one, stage two and stage three was 0.5%, 1.0% and 48.7% respectively. Compared with the end of the previous year, the asset structure of the Group has improved significantly. As of December 31, 2021, the assets of the Group in Stage 1 accounted for 95.5%, increased by 2% compared with the previous year, and the assets of Stage 2 and Stage 3 accounted for 0.0% and 4.5% respectively, decreased by 0.6% and 1.4% compared with the previous year. At the same time, due to prudential considerations, while the scale of assets in the Stage 3 declined, the Group prudently increased the ECL ratio of the assets of Stage 3 by 16.6% as compared to the previous year and systematically strengthen the risk resistance capacity of its assets.

The following table sets forth the breakdown of allowances measured based on ECL as of the dates indicated:

	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, 2021				
ECL rate%	**0.5%**	**1.0%**	**48.7%**	**2.7%**
Net amount of loans and receivables	**8,312,446**	**2,719**	**393,093**	**8,708,258**
Allowance for impairment loss	**(44,075)**	**(28)**	**(191,323)**	**(235,426)**
Net value of accounts receivable	**8,268,371**	**2,691**	**201,770**	**8,472,832**
December 31, 2020				
ECL rate%	0.5%	4.3%	32.1%	2.4%
Net amount of loans and 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

3.3 Others

As of December 31, 2021, cash and cash equivalents of the Group amounted to RMB650.2 million. The Group retained adequate cash to support business expansion and ensures its liquidity and safety. Restricted deposit of the Group amounted to RMB19.2 million, primarily comprising restricted bank deposits for bank acceptances and factorings.

As of December 31, 2021, the balance of trade and other receivables of the Group amounted to RMB34.7 million, mainly including advance payments to suppliers for purchase of equipment and deductible value-added input tax.

As of December 31, 2021, the balance of deferred tax assets of the Group amounted to RMB66.6 million, which were mainly derived from the temporary difference between net profit and taxable income in the financial report.

As of December 31, 2021, the balance of property and equipment of the Group amounted to RMB42.3 million, mainly including right-of-use assets and office equipment and computers for our employees.

As of December 31, 2021, the balance of interest in associates/joint ventures of the Group amounted to RMB116.2 million, which was the equity investment in the joint ventures, Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. and Jiangsu Zhongguancun Zhongnuo Xietong Investment Fund (Limited Partnership).

As of December 31, 2021, the balance of financial assets at fair value through other comprehensive income of the Group amounted to RMB12.0 million, which was the strategic equity investment in Beijing Zhongguancun Synergetic Innovation Investment Fund Management Co., Ltd.

As of December 31, 2021, the balance of financial assets at fair value through profit or loss of the Group amounted to RMB1.0 million, which was the equity investment in Beijing YuanBio Angel Venture Capital Partnership (Limited Partnership).

As of December 31, 2021, the balance of intangible assets of the Group amounted to RMB13.6 million, mainly including software used in our business operations and risk management functions.

3.4 Liabilities (Overview)

As of December 31, 2021, the total liabilities of the Group amounted to RMB7,374.5 million, representing an increase of RMB1,125.3 million or a growth rate of 18.0% as compared to December 31, 2020. Borrowings were the main component of the liabilities, accounting for 72.9%.

The following table sets forth the liability analysis as of the dates indicated:

	As of December 31, 2021		As of December 31, 2020		**Changes**
	RMB'000	**% of total**	RMB'000	% of total	
Borrowings	**5,371,076**	**72.9%**	4,153,046	66.5%	29.3%
Trade and other liabilities	**1,971,322**	**26.7%**	2,069,874	33.1%	(4.8%)
Income tax payable	**32,144**	**0.4%**	26,319	0.4%	22.1%
Total liabilities	**7,374,542**	**100.0%**	6,249,239	100.0%	18.0%

3.5 Borrowings

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

In the direct financing market, in 2021, the Group successfully issued the first tranche of asset-backed notes, raising RMB990 million, opening up new financing channels. By the end of 2021, the Group issued a total of RMB5,374.0 million of asset-backed securities programs, and actively explored and prepared for the issuance of diversified financing products.

In the indirect financing market, the Group has established long-term and stable cooperative relationship with over 30 commercial banks and planning to establish an in-depth strategic cooperative relationship. Meanwhile, the Group will continue to expand and optimize the channels of diversified financing, including small and medium banks and foreign banks.

In conclusion, the Group will continue to optimize and consolidate diversified financing channels, explore innovative financing products and improve fund management efficiency.

As of December 31, 2021, the outstanding balance of bank loans was RMB2,153.1 million, accounting for 40.1% of the total borrowings, which was slightly lower as compared to December 31, 2020. The proportion of the balance of borrowings from related parties accounted for 16.8% of the total borrowings, which was slightly lower as compared to December 31, 2020, and the balance of asset-backed securities accounted for 43.2% of the total borrowings, representing a significant increase as the previous year. 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.

The following table sets forth a breakdown of borrowings by funding sources as of the dates indicated:

	As of December 31, 2021		As of December 31, 2020		Changes
	RMB'000	% of total	RMB'000	% of total	
Bank loans	2,153,106	40.1%	2,335,002	56.1%	(7.8%)
– collateralized	1,248,758	23.2%	1,394,087	33.6%	(10.4%)
– pledged	904,348	16.9%	940,915	22.5%	(3.9%)
Borrowings from related parties[(1)]					
– pledged	900,000	16.8%	800,000	19.2%	12.5%
Asset-backed securities	2,317,970	43.1%	1,018,044	24.5%	127.7%
Total borrowings	5,371,076	100.0%	4,153,046	100.0%	29.3%

Note:

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

As of December 31, 2021, the current proportion of borrowings (including short-term borrowings and portions that are due within one year in long-term borrowings) accounted for 52.7% of total borrowings, representing a decrease of 7.7% as compared to December 31, 2020. The Group maintained a sound and reasonable funding structure.

The following table sets forth the distribution of borrowings by liquidity as of the dates indicated:

	As of December 31, 2021		As of December 31, 2020		Changes
	RMB'000	% of total	RMB'000	% of total	
Current	2,831,819	52.7%	3,068,052	73.9%	(7.7%)
Non-current	2,539,257	47.3%	1,084,994	26.1%	134.0%
Total borrowings	5,371,076	100.0%	4,153,046	100.0%	29.3%

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 decreased by 4.8% from RMB2,069.9 million as at the end of last year to RMB1,971.3 million as at the end of the Reporting Period. This decrease was primarily due to the decrease in the balance of notes payable at the end of the period.

3.7 Capital and Reserves

As of December 31, 2021, total equity attributable to equity shareholders of the Group was RMB2,057.8 million, representing an increase of RMB142.0 million or 7.4% as compared to that as at the end of last year.

The following table sets forth the details of total equity as of the dates indicated:

	As of December 31, 2021		As of December 31, 2020		Changes
	RMB'000	% of total	RMB'000	% of total	
Share capital	1,333,334	64.9%	1,333,334	69.6%	0.0%
Reserves	720,747	35.1%	582,481	30.4%	23.7%
Total equity	2,054,081	100.0%	1,915,815	100.0%	7.2%

4. CAPITAL EXPENDITURES

In 2021, the capital expenditure of the Group was RMB31.1 million, primarily including expenditures for external equity investment, 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, efficient and innovative risk management structure designed to balance the risks with benefits generated in the process of serving technology and new economy industries. While driving the growth of technology and new economy companies 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, liquidity risks and foreign currency 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 to tap 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. We have further strengthened the application of rating results in multiple scenarios such as credit management, project pricing, project approval, post-lease management, customer classification and process optimization.

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. 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 was 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 LPR and the benchmark interest rate of the PBOC.

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, 2021 RMB'000	As of December 31, 2020 RMB'000
Changes in basis points		
+100 basis points	**12,743**	8,426
–100 basis points	**(12,743)**	(8,426)

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

In 2021, 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 RMB'000	Within 1 month RMB'000	Within 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As of December 31, 2021							
Total financial assets	**1,118,293**	**286,961**	**996,510**	**3,647,230**	**4,027,305**		**10,076,299**
Total financial liabilities	**2,637**	**178,003**	**827,628**	**2,829,947**	**3,447,269**		**7,285,484**
Net liquidity gap	**1,115,656**	**108,958**	**168,882**	**817,283**	**580,036**		**2,790,815**
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

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, 2021, the Group held loans and receivables of RMB5,192.9 million pledged to secure borrowings, and cash of RMB18.7 million pledged for bank acceptances, factorings and asset-backed securities.

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

	As of December 31, 2021 RMB'000	As of December 31, 2020 RMB'000
Pledged loans and receivables		
For factorings and loan borrowings	**2,604,926**	676,928
For asset-backed securities and notes	**2,587,984**	998,277
Restricted bank deposits	**19,231**	137,830
Total pledged assets	**5,212,141**	3,174,226

7. MATERIAL INVESTMENTS, ACQUISITIONS AND DISPOSALS

The Group has made an additional equity investment of RMB24.5 million in the joint venture, Jiangsu Zhongguancun Zhongnuo Xietong Investment Fund (Limited Partnership), during the year ended December 31, 2021.

Save as disclosed in this report, there were no significant investments, material acquisitions or disposals of subsidiaries, associated companies and joint ventures by the Group for the year ended December 31, 2021.

8. HUMAN RESOURCES

8.1 Staff and Remuneration

As of December 31, 2021, the Group had a total of 129 employees (As of December 31, 2020: 120), with approximately 100.0% of our staff holding bachelor's degrees or above, and approximately 63.6% holding master's degrees or above (47 employees obtained bachelor's degrees, 82 employees obtained master's degrees). Approximately 17.1% (22 employees) have intermediate professional titles or above; and approximately 6.2% (8 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 38.0% of our employees (49 employees) have been worked for the Group for over five years. We did not experience any material labor disputes as of December 31, 2021.

For the year ended December 31, 2021, the staff costs of the Group amounted to approximately RMB72.0 million (2020: approximately RMB67.7 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. Since the date of incorporation of the Company and as of December 31, 2021, the Group did not adopt any share option scheme.

8.3 Employee Benefits

In accordance with applicable PRC laws and 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 provident funds for our employees. We also provided supplemental commercial medical insurance and accident insurance in addition to the social security insurance and housing provident funds above.

8.4 Employee Training

The Group valued staff training and established a preliminary training system based on job competency. In order to encourage the staff to study and upgrade themselves and cultivate and establish a team of professional and highly efficient talents, the Group adopted a people-oriented approach to provide trainings based on actual needs, and organized various training sessions on operating management and professional skills based on the principle of classified management, 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, 2021, the Group did not have any material contingent liabilities.

9.2 Capital Commitments and Credit Commitments

The Group has the following capital commitments and non-cancellable credit commitments as of the dates indicated:

	As of December 31, 2021 RMB'000	As of December 31, 2020 RMB'000
Credit commitments(1)	**5,000**	38,117
Capital commitments(2)	**3,120**	27,620

Notes:

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

(2) As of December 31, 2021, the contracted capital commitments included the unpaid capital commitment to Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. of RMB3.1 million.

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.

The H shares have been listed on the Stock Exchange since January 21, 2020. The Group received net proceeds (after deduction of underwriting commission and related costs and expenses) from the global offering of approximately RMB405.8 million.

We proposed to gradually utilize the net proceeds from the initial public offering in the following manner as disclosed in the prospectus 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 skill sets; 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 listing of the Company:

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	18.0	22.6	To be gradually utilized until 2023
Recruit talents	40.6	40.6	–	N/A
Replenish working capital	40.6	40.6	–	N/A

11. BUSINESS OUTLOOK

In the next five years, the Group will build a business model of integrated financial lease + stock option, equity investment and asset management centering on the credit discovery ability, and become a "digital science and technology innovation financial service provider". During the "14th Five Year Plan" period, we will quickly expand to nation-wide coverage through the "business partnership" model, cover and interact in-depth with science and technology innovation enterprises in core economic zones across China, and grow and optimize the number and scale of customers; by developing "Leasing-based Equity Investment" and "Leasing-based Equity Management" businesses, we will grow and deepen our financial value chain and optimize our profit structure.

1. CORPORATE GOVERNANCE PRACTICE

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 Reporting Period, the Company has 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 proposals on the increase or reduction of the Company's registered capital and proposals on the issuance of corporate bonds or other securities and listing plans;

(VII) to formulate 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 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 C.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 whom are performed by the general manager of the Company. During the Reporting Period, the chairman of the Board was Mr. DUAN Hongwei, a non-executive Director and the general manager of the Company was Mr. HE Rongfeng, an executive Director.

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 more than half 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

The Board consists of nine Directors, including two executive Directors namely, Mr. HE Rongfeng (general manager) and Mr. HUANG Wen, four non-executive Directors namely, Mr. DUAN Hongwei (chairman of the Board), Mr. LOU Yixiang, Mr. ZHANG Shuqing and Mr. DU Yunchao, 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 Reporting Period. Based on the contents of such confirmations, the Board 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 confirms that corporate governance shall be the joint responsibility among Directors and the corporate governance functions include:

- to formulate and review the Company's policies and practice in the aspect of compliance with laws and regulatory requirements;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees, Supervisors and Directors;
- to formulate and review the Company's policies and practice in corporate governance, and make recommendations and report relevant matters to the Board;
- to review the Company's compliance with the Corporate Governance Code and the disclosure in the corporate governance report; and
- to review and monitor the Company's compliance with the whistle-blowing policy of the Company.

The Board delegated to the Audit Committee to perform the aforesaid corporate governance duties. The Board and the Audit Committee have performed the aforesaid corporate governance duties during 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 email 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 an urgent manner, reasonable notice shall be served by telephone call or by other verbal means, but the convener shall offer 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 of the Board will meet with the independent non-executive Directors, in the absence of other Directors, at least once annually.

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 annual general meeting 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
Mr. DUAN Hongwei	6/6	N/A	1/1	2/2	N/A	1/1
Mr. LOU Yixiang	6/6	1/2	N/A	N/A	N/A	1/1
Mr. ZHANG Shuqing	6/6	N/A	N/A	N/A	0/1	1/1
Mr. LI Peng[1]	2/2	1/1	N/A	N/A	N/A	N/A
Mr. DU Yunchao[2]	3/3	1/1	N/A	N/A	N/A	N/A
Mr. HE Rongfeng	6/6	N/A	1/1	2/2	N/A	1/1
Mr. HUANG Wen	6/6	N/A	N/A	N/A	1/1	1/1
Mr. CHENG Dongyue	6/6	2/2	1/1	2/2	1/1	1/1
Mr. WU Tak Lung	6/6	2/2	1/1	2/2	1/1	1/1
Ms. LIN Zhen	6/6	2/2	1/1	2/2	1/1	1/1

Notes:

1 Resigned with effect from March 19, 2021

2 Appointed with effect from May 28, 2021

4. ELECTION OF DIRECTORS

In accordance with the Articles of Association, all Directors (including the non-executive 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 training 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 C.1.4 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 personnel
Non-Executive Directors		
Mr. DUAN Hongwei	✓	✓
Mr. LOU Yixiang	✓	✓
Mr. ZHANG Shuqing	✓	✓
Mr. LI Peng[1]	✓	✓
Mr. DU Yunchao[2]	✓	✓

Directors	Reading relevant materials	Attending training on Hong Kong listed issuers' and directors' continuing duties and responsibilities/ Visiting/Interviewing key management personnel
Executive Directors		
Mr. HE Rongfeng	✓	✓
Mr. HUANG Wen	✓	✓
Independent Non-Executive Directors		
Mr. CHENG Dongyue	✓	✓
Mr. WU Tak Lung	✓	✓
Ms. LIN Zhen	✓	✓

Notes:

1 Resigned with effect from March 19, 2021

2 Appointed with effect from May 28, 2021

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

The Audit Committee consists of five members, being Mr. CHENG Dongyue, Mr. WU Tak Lung and Ms. LIN Zhen, independent non-executive Directors, Mr. LOU Yixiang and Mr. DU Yunchao, 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. Mr. DU Yunchao has been appointed as a non-executive Director and member of the Audit Committee with effect from May 28, 2021 and Mr. LI Peng has resigned as a non-executive Director and member of the Audit Committee with effect from March 19, 2021.

The duties and powers of the Audit Committee are as follows:

(1) advising the Board on the appointment, reappointment, change or dismissal of the external audit firm; approving and reviewing audit fees and appointment terms of the external audit firm; dealing with any resignation or dismissal issues in relation to the external audit firm, taking appropriate measures to supervise the work of the external audit firm and reviewing reports of the external audit firm;

(2) reviewing and supervising the independence and objectivity of the external audit firm and the effectiveness of the audit procedures in accordance with applicable standards, and discussing in advance on issues related to the nature and scope of the audit and reporting responsibilities with the external audit firm before the auditing work commences;

(3) formulating and implementing policies of non-audit services provided by the external audit firm. For this purpose, the external audit firm includes any entity that is under the common control, ownership or management with such audit firm or any entity that a reasonably informed third party knowing all relevant information would reasonably conclude to be part of such audit firm's domestic or international business. The Audit Committee shall report to the Board, identifying and making recommendations on any matters it deems necessary;

(4) serving as the main representative between the Company and the external audit firm to supervise their relations;

(5) monitoring the integrity of the Company's financial statements, annual reports and accounts, interim reports and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgements contained in the financial statements and financial reports.

(6) In order to carry out the responsibilities under term (5) of this Article:

1. members of the Audit Committee shall liaise with the Board, senior management of the Company and the external audit firm engaged by the Company, and the Committee shall meet with the Company's external audit firm at least twice a year; and

2. the Audit Committee shall consider any significant or unusual items which are, or may need to be, reflected in the financial reports and accounts, and shall give due consideration to any matters that have been raised by the Company's financial personnel, internal auditor, or the supervision personnel, or the external audit firm engaged.

(7) reviewing the Company's financial control system and supervising the implementation of such system on an on-going basis;

(8) ensuring smooth work coordination between the internal audit department and the external audit firm, ensuring that the internal audit department is adequately resourced and has appropriate standing within the Company, and reviewing and monitoring the effectiveness of the operation of the internal audit department;

(9) reviewing the Company's financial and accounting policies and practices;

(10) reviewing the Explanatory Letter of Reviewing Matter (《審核情況說明函件》) submitted by the external audit firm to the management, any material queries raised by the external audit firm to the management in relation to accounting records, financial accounts or internal control system and the management's response;

(11) ensuring that the Board will provide a timely response to the issues raised by the external audit firm in the Explanatory Letter of Reviewing Matter;

(12) ensuring to establish proper channels by the Company for the employees to report or raise concerns on possible improprieties in financial reporting, internal controls or other matters, in a confidential way, and ensuring that proper arrangements are in place for fair and independent investigations on these matters and for appropriate follow-up actions;

(13) reviewing the criteria or the mechanism determining major decision-makings, major events and important business procedures;

(14) reporting to the Board on relevant matters within the scope of the Audit Committee's duties; and reporting to the Board on the decisions or recommendations made by the Audit Committee, unless otherwise restricted by laws or regulations;

(15) formulating and reviewing the corporate governance policies and practices of the Company, and making recommendations to the Board;

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

(17) reviewing and monitoring the Company's policies and practices on compliance with laws and regulatory requirements;

(18) formulating, reviewing and monitoring the code of conduct and compliance manual applicable to employees and the directors (if any);

(19) reviewing the Company's compliance with the CG Code and disclosures in the Corporate Governance Report;

(20) other duties and powers authorized by the Board;

(21) other relevant requirements for powers and duties of the Audit Committee under the regulatory rules of the place where the shares of the Company are listed, as amended from time to time; and

(22) reporting to the Board on the matters in the code provision under Appendix 14 to the Listing Rules.

During the Reporting Period, the Audit Committee has convened two meetings to review the report on annual audit and the letter of statement prepared by auditor, the annual results of the Group for the year ended December 31, 2020, the interim results of the Group for the six months ended June 30, 2021, the significant issues on the financial reporting and compliance procedures of the Group, the corporate governance report and the Company's performance on following the corporate governance code. In addition, the Audit Committee has considered the re-appointment of external auditor of the Company and made 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

The Remuneration Committee consists 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 has convened one meeting to consider remuneration adjustment of deputy general manager of the Company and to review on the remuneration policy and remuneration package.

7.3 Nomination Committee

The Nomination Committee consists 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 has convened two meetings to recommend the appointment of Mr. DU Yunchao as non-executive Director; review the structure and composition of the Board and make recommendation to the Board; examine the performance of the Board; review the board diversity policy; and evaluate the independence of independent non-executive Directors.

7.4 Risk Control Committee

The Risk Control Committee consists of five members, being Mr. HUANG Wen, an executive Director, Mr. ZHANG Shuqing, a non-executive Director, Ms. LIN Zhen, Mr. CHENG Dongyue and Mr. WU Tak Lung, 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 has convened one meeting to review the Company's risk management and internal control for the financial year 2020 and review on the effectiveness of the internal audit functions as required under the Listing Rules.

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) doing research 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 work in accordance with decisions and feedback 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 available talent pool. 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. Pursuant to Rule 13.92 of the Listing Rules, the Stock Exchange will not consider diversity to be achieved for a single gender board. As the Company's Board has one female member, the Company has complied with this requirement. At present, the Nomination Committee believes that the current composition of the Board meets the diversification factor.

8. DIRECTORS' RESPONSIBILITIES FOR FINANCIAL STATEMENTS

During the Reporting Period, the Directors acknowledge their responsibilities for preparing the financial statements of the Group for the year ended December 31, 2021, 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 monthly 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 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信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 and senior management. 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 Reporting Period.

10. INFORMATION REGARDING ANNUAL REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Remuneration of Directors and senior management is proposed by the Remuneration Committee according to their academic qualifications, working experience, work performance, and performance of duties. The remuneration of Directors is subject to approval and confirmation of the general meeting, while the remuneration of the senior management is subject to approval and confirmation of the Board. The remuneration of Supervisors is subject to approval and confirmation of the general meeting.

Details regarding the remuneration of the Directors, Supervisors and chief executives of the Company are set out in Note 9 to the financial statements.

The range of remuneration of senior management of the Company is set out as follows:

	Number of individuals
RMB500,000 or below	1
RMB500,001 to RMB1,000,000	3
RMB1,000,001 to RMB2,000,000	3

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 to safeguard the investment of Shareholders and the assets of the Company, and reviewing their effectiveness (including ESG risks) annually. The Board also acknowledges that 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 the overall risk management policies and procedures. The main responsibilities of the Board include (1) reviewing and approving major risk management policies and procedures (including ESG risks), (2) assessing our overall risk exposure (including ESG risks), 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 (including ESG risks), 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 (including ESG risks), (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 (including ESG risks).

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 return to the essence of financial lease business, establish a risk management system that is really suitable for the “technology” and “financial lease” characteristics of Zhongguancun, strengthen the application of financial technology in the financial lease business, and promote 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 using technology. At the same time, we gradually transfer 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 provide 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. Taking into account the results of risk points sorted out, 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 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.

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 and internal controls, compliance and operational controls as well as risk management mechanisms 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 insider information, to ensure timely report of insider information to the executive Directors and maintain communication with the Board.

13. AUDITOR'S REMUNERATION

Independence of the Company's external auditor is significant 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 auditor 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 AGM. 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
Auditing services	1,600
Non-audit services – reviewing the 2021 interim financial report of the Company and issue independent review report	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 top 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 above mentioned written request(s), the Shareholders making the request(s) can convene a meeting by themselves within four months after the Board receiving the above mentioned 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 send 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 mail to the Company's headquarters and principal place of business in China 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 inquiries 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 Board and chairman of all Board committees (or their delegates) will make themselves available at the general meetings to meet with Shareholders and answer their inquiries. The Company has maintained on its website (at www.zgclease.com) about the Company's annual/interim reports, announcement, circulars, and any update on business operations and developments, financial information, corporate governance practices where appropriate.

17. AMENDMENTS TO THE ARTICLES OF ASSOCIATION

There was no major amendment to the Articles of Association during the Reporting Period.

Report of the Board of Directors

The Board is pleased to present its report together with the audited financial statements of the Company 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. During the Reporting Period, the Company was principally engaged in providing efficient finance lease solutions and advisory services to satisfy technology and new economy companies' needs at different stages of their growth in China.

During 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 directors' report. The Directors are not aware of any important events affecting the Group that have occurred since the end of the Reporting Period.

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, in pursuit of long-term sustainable development. For more information regarding environmental, social and governance matters of the Company for the Reporting Period, please refer to the section headed "Environmental, Social and Governance Report" in this annual report.

2. PROFIT DISTRIBUTIONS

2.1 Final Dividend

The consolidated annual results of the Company for the Reporting Period are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and Notes to the Financial Statements of this annual report.

The Company did not declare any interim dividends for the year ended December 31, 2021 (2020: Nil).

The Board has recommended the payment of a final dividend of RMB0.045 per share (tax inclusive) for the year ended December 31, 2021, totally approximately RMB60 million, to the Shareholders whose names appear on the register of members of the Company on Monday, June 6, 2022. 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 18, 2022, subject to the Shareholders' approval at the forthcoming annual general meeting.

Details of the dividend payment by the Company during the Reporting Period are set out in Note 23 to the Financial Statements.

2.2 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 Treaties" (Announcement No. 35 [2019] of the State Administration of Taxation) (《國家稅務總局關於發佈〈非居民納稅人享受協議待遇管理辦法〉的公告》(國家稅務總局公告2019年第35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. 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 16, 2022 to Friday, May 20, 2022, 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 13, 2022, 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, May 30, 2022 to Monday, June 6, 2022, 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, May 27, 2022, 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 Financial Statements of this annual report.

6. SHARE/PAID-IN CAPITAL

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

7. EQUITY-LINKED AGREEMENTS

During the Reporting Period, the Company has not entered 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 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 RMB206 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 Financial Statements of this annual report.

10. SPECIFIC PERFORMANCE OBLIGATIONS OF CONTROLLING SHAREHOLDER

Save as disclosed below, the Directors are not aware of any circumstances which would be required to disclose herein pursuant to the requirements under Rule 13.21 of the Listing Rules.

On August 31, 2020, the Company, as the borrower, entered into a facility agreement with Bank III, as the lender, in relation to a term loan facility of up to US$25,000,000 which has a term of one year commencing from the date of first drawdown. 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.

On August 31, 2020, the Company, as the borrower, entered into a loan agreement with Bank IV, as the lender, in relation to a loan facility of up to RMB50,000,000 which has a term of one year commencing from the date of first drawdown. 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.

On November 19, 2020, the Company, as the borrower, entered into a facility agreement with Bank V, as the lender, in relation to a term loan facility of up to RMB250,000,000 which has a term of one year commencing from the date of first drawdown. 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.

Details of the above-mentioned loan agreements made pursuant to the requirements of Rule 13.18 of the Listing Rules were disclosed in the announcements of the Company dated August 31, 2020 and November 19, 2020 and the subsequent interim report/annual report of the Company respectively.

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.

As at December 31, 2021, the aggregate outstanding principal of loans owed by the Group under the above agreements were approximately RMB81.2 million.

11. CHARITABLE DONATIONS

During the Reporting Period, the Company's charitable donations amounted to RMB0 (2020: RMB216,000).

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

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

Non-executive Directors

Mr. DUAN Hongwei
Mr. LOU Yixiang
Mr. ZHANG Shuqing
Mr. LI Peng [1]
Mr. DU Yunchao [2]

Executive Directors

Mr. HE Rongfeng
Mr. HUANG Wen

Independent Non-executive Directors

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

Notes:

1 Resigned with effect from March 19, 2021

2 Appointed with effect from May 28, 2021

15. SUPERVISORS

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

Mr. ZHANG Jian
Mr. TIAN Anping
Mr. FANG Fang
Mr. LONG Limin[3]
Mr. KAN Wei[4]
Mr. TONG Chao
Ms. ZHOU Di
Ms. HAN Nana

Notes:

3 Resigned with effect from March 19, 2021

4 Appointed with effect from May 28, 2021

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. DIRECTOR AND SUPERVISOR 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.

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 within one year without payment of compensation, other than normal statutory compensation.

18. CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

Save as disclosed in the report, there was no transaction, arrangement or contract of significance in relation to the Company's business to which the Company was a party and in which any controlling Shareholder or any of its subsidiary corporations had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

19. DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to the Company's business to which the Company was a party and in which a director or supervisor of the Company or his/her connected entity had a material interest, whether directly or indirectly, subsisted at the end of the Reporting Period or at any time during the Reporting Period.

20. 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 financial statements of this annual report, respectively.

21. DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period and up to the date of this report, none of the Directors or supervisor had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Company.

22. 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.

23. 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.

24. 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.

25. 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.

26. SHARE OPTION PLAN

The Company has no share option plan pursuant to Chapter 17 of the Listing Rules since its incorporation and up to the date of this report.

27. 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.

28. 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[1] (%)	Approximate percentage of shareholding in the total issued Shares[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)	76.19% (L)	48.00% (L)
ZGC Investment Center[3]	Domestic Shares	Interest of controlled corporation	640,000,000 (L)	76.19% (L)	48.00% (L)
Chaoyang SCOMC[4]	Domestic Shares	Beneficial owner	100,000,000 (L)		
		Interest of controlled corporation	100,000,000 (L)		
		Total:	200,000,000 (L)	23.81% (L)	15.00% (L)
Beijing Chaoyang District Wangjing Xinxing Industry Zone Comprehensive Developement Company (北京望京新興產業區綜合開發有限公司) ("**Wangjing Development**")[4]	Domestic Shares	Beneficial owner	100,000,000 (L)	11.90% (L)	7.50% (L)
Nanshan Group Capital Investment Co., Ltd. (南山集團資本投資有限公司) ("**Nanshan Capital**")[5]	H Shares	Beneficial owner	99,900,000 (L)	20.25% (L)	7.49% (L)
Nanshan Group Co., Ltd. (南山集團有限公司)[5]	H Shares	Interest of controlled corporation	99,900,000 (L)	20.25% (L)	7.49% (L)
Nanshan Villagers' Committee of Dongjiang County, Longkou City (龍口市東江鎮南山村村民委員會)[5]	H Shares	Interest of controlled corporation	99,900,000 (L)	20.25% (L)	7.49% (L)
SONG Zuowen (宋作文)[5]	H Shares	Interest of controlled corporation	99,900,000 (L)	20.25% (L)	7.49% (L)
CCCG (HK) Holding Limited (中交集團(香港)控股有限公司)[6]	H Shares	Beneficial owner	58,914,000 (L)	11.94% (L)	4.42% (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[1] (%)	Approximate percentage of shareholding in the total issued Shares[1] (%)
China Communications Construction Group Limited (中國交通建設集團有限公司)[6]	H Shares	Interest of controlled corporation	58,914,000 (L)	11.94% (L)	4.42% (L)
Beijing Enterprises Group Company Limited[7]	H Shares	Interest of controlled corporation	50,952,000 (L)	10.33% (L)	3.82% (L)
Beijing Enterprises Group (BVI) Company Limited[7]	H Shares	Interest of controlled corporation	50,952,000 (L)	10.33% (L)	3.82% (L)
Beijing Enterprises Holdings Limited[7]	H Shares	Interest of controlled corporation	50,952,000 (L)	10.33% (L)	3.82% (L)
Beijing Enterprises Environmental Construction Limited (北控環境建設有限公司)[7]	H Shares	Interest of controlled corporation	50,952,000 (L)	10.33% (L)	3.82% (L)
Beijing Enterprises Water Group Limited (北控水務集團有限公司)[7]	H Shares	Interest of controlled corporation	50,952,000 (L)	10.33% (L)	3.82% (L)
United Crystal Limited[7]	H Shares	Beneficial owner	50,952,000 (L)	10.33% (L)	3.82% (L)
Beijing Haidian State-owned Capital Operation Company Limited (北京市海淀區國有資本運營有限公司)[8]	H Shares	Interest of controlled corporation	36,742,000 (L)	7.45% (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)[8]	H Shares	Beneficial owner	36,742,000 (L)	7.45% (L)	2.76% (L)
HU Daosheng (胡道生)[9]	H Shares	Interest of controlled corporation	32,894,000 (L)	6.67% (L)	2.47% (L)
Superior Far East International Holdings Limited[9]	H Shares	Interest of controlled corporation	32,894,000 (L)	6.67% (L)	2.47% (L)
Superior Far East (China) Holdings Limited (佳和控股有限公司)[9]	H Shares	Beneficial owner	32,894,000 (L)	6.67% (L)	2.47% (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 840,000,000 Domestic Shares and 493,334,000 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 H Share 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 H Shares interest held by Nanshan Group Co., Ltd.

(6) Under the SFO, China Communications Construction Group Limited (中國交通建設集團有限公司) is deemed to be interested in the entire H Shares interest held by CCCG (HK) Holding Limited (中交集團(香港)控股有限公司), its wholly-owned subsidiary.

(7) 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.

(8) Under the SFO, Beijing Haidian State-owned Capital Operation Company Limited (北京市海淀區國有資本運營有限公司) is deemed to be interested in the entire H Shares 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.

(9) Superior Far East (China) Holdings Limited (佳和控股有限公司) is wholly owned by Superior Far East International Holdings Limited, which is wholly owned by Mr. HU Daosheng. Under the SFO, each of Superior Far East International Holdings Limited and Mr. HU Daosheng is therefore deemed to be interested in H Shares held by Superior Far East (China) Holdings 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.

29. ARRANGEMENTS TO ACQUIRE 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.

30. MAJOR CUSTOMERS AND SUPPLIERS

During the Reporting Period, the Company's largest customers accounted for approximately 2.49% of the Company's total revenue. The Company's five largest customers accounted for approximately 6.64% of the Company's total revenue.

During the Reporting Period, the Company's largest suppliers accounted for approximately 22.28% of the Company's total cost of sales. The Company's five largest suppliers accounted for 33.78% 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 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.

31. EMPLOYEES AND REMUNERATION POLICY

The Company had 129 employees as at the end of the Reporting Period, as compared to approximately 120 employees as at December 31, 2020. 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 executive Directors, includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions.

32. 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.

During the Reporting Period, the Company had no forfeited contributions under its retirement benefit scheme in the PRC which may be used to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules.

33. 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 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 2021 (RMB million)	Actual transaction amount for the year 2021 (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	1.6	0.24
	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	2,088.03	1,341.82

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**") with ZGC Group. 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 (presiding) 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 aforesaid continuing connected transactions have been reviewed by the independent non-executive Directors, 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 continuing connected transactions of the Company disclosed in the section headed "Continuing Connected Transactions" 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 Reporting Period are set out in Note 27 to the Financial Statements of this annual report.

Save for the transaction disclosed in the section headed "Continuing Connected Transactions", these related party transactions constituted non-exempt continuing connected transactions under Chapter 14A of the Listing Rules, which were subject to reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The relevant non-exempt continuing connected transactions had complied with the disclosure requirements of the Listing Rules.

34. DEBENTURES ISSUED

As approved by the Shareholders, the Company issued a 3-year asset-backed securities with a principal amount of RMB516 million, carrying an interest rate of 4%, which is listed on the Shanghai Stock Exchange on August 24, 2021. The proceeds were mainly used for the Company's operation. For the details of the issuance of asset-backed securities, please refer to the Circular of annual general meeting of the Company dated April 21, 2021 and an announcement of the Company dated August 24, 2021.

As approved by the Shareholders, the Company issued a 3-year asset-backed securities with a principal amount of RMB484 million, carrying an interest rate of 3.8%, which is listed on the Shanghai Stock Exchange on November 26, 2021. The proceeds were mainly used for the Company's operation. For the details of the issuance of asset-backed securities, please refer to the Circular of annual general meeting of the Company dated April 21, 2021 and an announcement of the Company dated November 26, 2021.

As approved by the Shareholders, the Company issued asset-backed notes with a principal amount of RMB990 million and nominal value per unit of RMB100, carrying an interest rate range from 3.8% to 4.1%, which is listed on the National Association of Financial Market Institutional Investors on October 26, 2021. The proceeds were mainly used for the Company's operation. For the details of the issuance of asset-backed notes, please refer to the Circular of annual general meeting of the Company dated April 21, 2021 and an announcement of the Company dated October 26, 2021.

35. SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this report, the Company has maintained the public float of at least 25% of the Company's issued share capital as required under the Listing Rules.

36. AUDITOR

There has been no change in auditor since the Listing Date. KPMG 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 year 2022, and KPMG Huazhen LLP (for issuance of audit report in accordance with the standards in the PRC) as the domestic auditor of the Company for the year 2022 will be proposed at the forthcoming annual general meeting for Shareholders' approval.

37. COMPLIANCE WITH LAWS AND REGULATIONS

During the Reporting Period, the Company has complied with all applicable laws and regulations in material respects.

38. 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.

On behalf of the Board
DUAN Hongwei
Chairman
March 18, 2022

Report of the Board of Supervisors

In 2021, the Board of Supervisors has carried out its supervisory and other duties in accordance with the Company Law of the PRC, the Articles of Association and the Rules of Procedure of the Board of Supervisors of the Company to ensure the sound, stable and sustainable development of the Company as well as to safeguard the legal interests of all Shareholders. The Board of Supervisors has performed effective supervision, through the inspection of relevant documents and information of the Company, financial reports, and attending meetings of the Board of Directors and the Shareholders' general meetings, on the operation status, financial positions, connected transactions and internal control of the Company. The Board of Supervisors expressed the following independent opinion of such matters of the Company during the Reporting Period:

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 two meetings, details of which are as follows:

(1) On March 19, 2021, the Board of Supervisors convened the sixth meeting of the first session of the Board of Supervisors. 6 resolutions were considered and approved at the meeting, including the Financial Report for 2020, the Annual Report for 2020 and the Annual Results Announcement for 2020 formed according to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, the 2021 Financial Budget Plan, the 2020 Profit Distribution Plan, the Report of the Board of Supervisors for 2020 and change in Supervisors of the first session of the Board of Supervisors.

(2) On August 20, 2021, the Board of Supervisors convened the seventh 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 2021 and the o Interim Results Announcement for 2021 formed according to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

During the Reporting Period, the Supervisors attended six Board meetings and 2020 annual 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 execute the resolutions proposed at the general meetings of the Company.

2. OPINION OF THE BOARD OF SUPERVISORS ON SUPERVISED MATTERS OF THE COMPANY IN THE REPORTING PERIOD

2.1 Compliant Operation

During the Reporting Period, pursuant to the laws and regulations of the PRC and the Articles of Association, the Board of Supervisors duly supervised the convening procedures and resolutions of general meetings of Shareholders and meetings of the Board, the Board's execution of resolutions approved at general meetings of Shareholders, the performance of duties by the senior management of the Company, etc. The Board of Supervisors was of the view that the Board and the senior management of the Company performed their duties with integrity and diligence, made decisions in a scientific approach, maintained sound production and operation. The Board of Supervisors was not aware of any action which would result in a breach of laws or regulations or the Articles of Association or would damage the interests of the Company and investors in the Company.

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.

Report of the Board of Supervisors

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 Prospectus.

2.4 Connected Transactions

During the Reporting Period, the connected transactions of the Company were conducted under the principle of fairness and the procedures of the transactions were in compliance with laws and regulations. No circumstance that infringed upon the interests of the Company was found. 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 18, 2022

Environmental, Social and Governance Report

ABOUT THE REPORT

This is the third 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 philosophy and the sustainability practices of the Company in 2021, 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 (the "**Stock Exchange**"). 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, 2021 to December 31, 2021 (the "**Reporting Period**"), unless otherwise stated.

Environmental, Social and Governance Report

Data Explanation

The relevant information of this report is extracted from statistics in the internal system of our Group.

Review of the Report

The report has been reviewed and approved by the Board on March 18, 2022.

Publication of the Report

This ESG report should be published in printed form and electronic form.

Reporting Principles

The ESG Report discloses information in accordance with the reporting principles in the ESG Reporting Guide of the Hong Kong Stock Exchange including:

- ***Materiality***

  Based on the principle of materiality, the ESG Report determines the major issues to be responded herein via stakeholders investigation and materiality analysis and provides key disclosures of environmental, social and governance matters with potential significant impacts on the investors and other stakeholders.

- ***Quantitative***

  Based on the principle of quantitative, the ESG Report discloses the quantitative key performance indicators ("**KPIs**"), gives the description of such KPIs, and provides the calculation basis and assumptions.

- ***Balance***

  Based on the principle of balance, the ESG Report reflects the objective facts and discloses indicators involving both positive information and negative information.

- ***Consistency***

  Based on the principle of consistency, the ESG Report gives the description of the ESG quantitative KPIs, provides the calculation basis and assumptions, and maximizes the consistency of indicators used for different reporting periods to reflect the tendency of performance level.

Comments and Feedback

We value 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.

ESG GOVERNANCE

Board Statement

The Group believes that well-established ESG governance principles, strategies and practices are crucial to the long term development of its business, especially in increasing investment values and returns. In order to ensure the establishment of appropriate and effective ESG risk management measures and internal control systems, the Board has taken up the responsibility to govern and oversee the Group's ESG issues and its development. The Board is responsible for monitoring the Group's ESG strategies and reporting, ensuring that the requirements from the Board are met. Furthermore, the Board monitors and reviews the Group's compliance status of ESG-related laws and regulations by external regulatory bodies. The Board also review ESG-related information annually, assessing ESG work progress and the content and quality of ESG Report.

The Board continuously monitors ESG-related work and keeps track of the Hong Kong Stock Exchange's latest regulations on ESG disclosure, and ensures close cooperation between departments, together achieving the goals of compliant operation and bearing social responsibilities. Based on the goals formulated by the Group, the Board regularly reviews relevant work plans and the status of execution, and monitors the coordination and management of ESG matters.

ESG Governance Structure

We continue to strengthen our ESG management and incorporate it into our business management to promote our Group's sustainable development, while realizing and protecting the most important interests of our investors, employees and other stakeholders. The Board proactively participates in relevant processes of ESG reporting, in which they are responsible for assessing and determining the ESG-related risk, ensuring the development of a suitable and effective ESG risk management and internal control system and finally approving the ESG policies and ESG report.

The Company established an ESG affair management team headed by the strategy development team to govern the performance of ESG responsibilities of the relevant functional and operation departments. Duties of the ESG affair management team include:

a) to supervise and review the formulation of ESG management direction and strategy;

b) to supervise the formulation and implementation of ESG objectives, and review the progress towards the objectives;

c) to supervise and examine the identification and priority of ESG topics;

d) to coordinate the preparation of annual ESG report for review and approval by the Board before publication;

e) to identify ESG risks related to the Company annually, evaluate the impact of such risks to the Company and give advice to the Board accordingly;

f) to fulfill other responsibilities authorized by the Board.

Stakeholder Engagement

Understanding stakeholders' concerns and expectations and and taking actions is essential to our sustainable development. Therefore, we actively engage with stakeholders to help us recognize our sustainability performance and understand the impacts by our sustainability policies and measures. We have established various communication channels so that comments and feedback from major stakeholders are effectively and timely addressed.

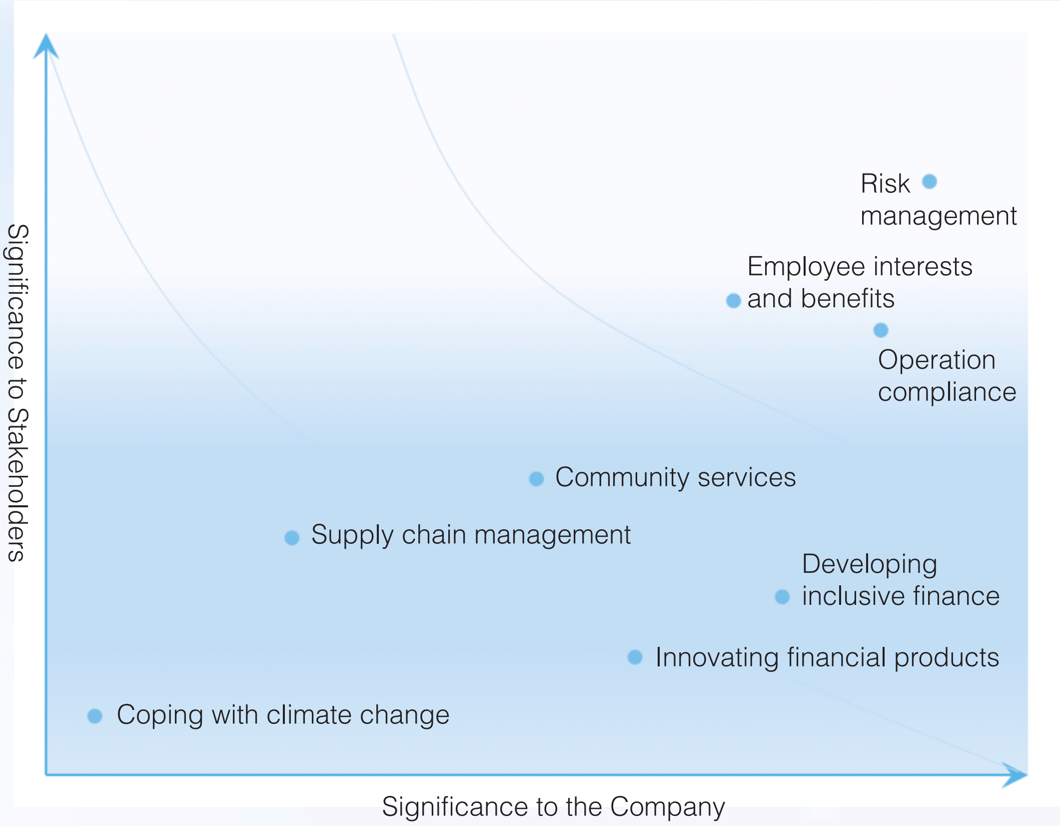
The following table summarizes the main expectations and concerns of the key stakeholders as identified by the Group, and the corresponding management responses.

Stakeholder	Requirement and Expectation	Communication and Response
Governments and regulatory bodies	• Compliance with national policies, laws and regulations • Real economy service • Tax payment in full and on time	• Regular reporting • Real economy business support • Examinations and inspections
Shareholders	• Returns • Compliant operations • Rise in company value • Transparent information and efficient communication	• General meetings • Announcements • Emails, telephone contacts and • company websites • Dedicated reports
Suppliers and partners	• Supply chain management • Anti-corruption	• Formulating purchasing management rules • Bidding activities
Customers	• Outstanding products and services • Operation with integrity	• Customers meetings • Return visits • Customer feedback

Stakeholder	Requirement and Expectation	Communication and Response
Employees	• Employees' rights and benefits • Employee health and safety • Employee development and training	• Trade union activities • Employee physical examination • Online learning platform
Community and the public	• Community services • Open and transparent information	• Charity activities • Company website

Materiality Assessment

In view of the relevance and validity of the ESG Report with the Group's environmental and social performance, the Group has conducted a materiality assessment to identify ESG issues that are material to the business of the Group and its stakeholders. The assessment is based on stakeholder surveys, and professional opinions from the ESG professional. The material ESG issues as identified are shown as follows:



ENVIRONMENTAL PROTECTION

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 79.94 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 2021	Emission amount in 2020	Emission density in 2021	Emission density in 2020
Carbon dioxide (CO_2) emission (Scope 1)	**17.54 tons**	16.42 tons	**0.14 tons per person**	0.14 tons per person
Carbon dioxide (CO_2) emission (Scope 2)	**95.68 tons**	68.60 tons	**0.74 tons per person**	0.57 tons per person
Carbon dioxide (CO_2) emission (Scope 3)	**82.83 tons**	52.78 tons	**0.64 tons per person**	0.40 tons per person
Total carbon dioxide (CO_2) emission equivalent	**196.06 tons**	137.8 tons	**1.5 tons per person**	1.15tons per person

Note: Emission factors were made with reference to Appendix 27 of the Listing Rules and their 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 2021**	The amount generated in 2020	**The density generated in 2021**	The density generated in 2020
Nitrogen oxide (NO_x)	**54,821.33 grams**	27,435 grams	**424.97 grams per person**	228.63 grams per person
Sulfur oxide (SO_x)	**109.27 grams**	102.28 grams	**0.85 grams per person**	0.85 grams per person
Particulates (PM)	**5,252.94 grams**	2,628.8 grams	**40.72 grams per person**	21.91 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-party partners.

Hazardous waste	**The amount generated in 2021**	The amount generated in 2020	**The density generated in 2021**	The density generated in 2020
Waste batteries	**22.25 kilograms**	14.98 kilograms	**0.17 kilograms per person**	0.12 kilograms per person
Waste ink cartridges	**110 pieces**	76 pieces	**0.85 pieces per person**	0.63 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 not to waste paper.

Non-hazardous waste	**The amount generated in 2021**	The amount generated in 2020	**The density generated in 2021**	The density generated in 2020
Waste paper	**601.38 kilograms**	612.95 kilograms	**4.66 kilograms per person**	5.11 kilograms per person

The amount of waste paper is estimated at 20% of paper consumption.

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, the Company was not subject to any punishments and legal proceedings resulting from violating environmental issues.

A1.6. Waste Handling and Reduction Initiatives

Non-hazardous waste from the 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.

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 raises the awareness of energy saving in the office.

A2.1. Energy Consumption

Resources usage	Consumption in 2021	Consumption in 2020	Per capita consumption in 2021	Per capita consumption in 2020
Total electricity consumption	98,845.6 kWh	70,895.44 kWh	776.24 kWhs per person	590.80 kWhs per person
Gasoline consumption	7,433.4 liters	6,958 liters	57.62 Liters per person	57.98 Liters per person
Office paper	3.01 tons	3.06 tons	0.023 tons per person	0.026 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, mainly including:

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

– 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-conditioners remain turned off when no one is around; 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 are cleaned regularly to improve 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 reduce printing 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 reducing greenhouse gas emissions and preserving natural resources by promoting a culture of energy saving 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, opportunity, diversity, anti-discrimination, and other benefits and welfare, during the Reporting Period.

The Company had a total number of 129 employees as at December 31, 2021 (120 employees in 2020), all of which were from the PRC and located in Beijing.

Workforce	Unit	2021	2020
By Employment Type			
Full-time	Person	129	120
Part-time	Person	0	0
By Gender			
Female	Person	62	53
Male	Person	67	67
By Employee Category			
Senior Management	Person	7	7
Mid Level Management	Person	21	16
Base Level Employees	Person	101	97
By Age Group			
35 or under	Person	85	79
36-54	Person	43	41
55 or above	Person	1	0
By Academic Qualification			
Master or above	Person	82	76
Bachelor	Person	47	43
College graduate or below	Person	0	1

A total of 18 employees left the Company during the Reporting Period (turnover rate:14%) who were all full-time employees in the PRC. (A total of 12 employees left the Company in 2020, turnover rate is 10%)

Turnover	Unit	2021	2020
By Gender			
Female	Percentage	**8.1**	9.4
Male	Percentage	**19.4**	10.4
By Employee Category			
Senior Management	Percentage	**0**	0
Mid Level Management	Percentage	**0**	6.3
Base Level Employees	Percentage	**17.8**	11.3
By Age Group			
35 or under	Percentage	**17.6**	7.6
36-54	Percentage	**7.0**	14.6
55 or above	Percentage	**0**	0
By Academic Qualification			
Master or above	Percentage	**12**	7.9
Bachelor	Percentage	**17**	14
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' well-being by offering team building activities, annual medical check, daily meal and various other benefits.

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 applicable laws of the PRC.

B2. *Health and Safety*

The Company attaches great importance to humanistic care by caring for employees' physical and mental health and striving to provide employees with safe, healthy and comfortable working environment. 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 comprehensive welfare benefit programs 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 blessings, etc.

The Company continuously strengthens the construction of corporate culture and actively carries out rich and colorful cultural and sports activities. To fully respond to the needs of employees, the Company held a variety of activities such as desktop micro landscape DIY activities for female employees (《女職工桌面微景觀DIY活動》), DIY activities of Chinese herbal medicine mosquito repellent sachet in the June 1st Festival (《"六一"節中草藥驅蚊香囊DIY活動》), oral health consultation (《口腔健康咨詢》), traditional Chinese medicine diagnosis and treatment (《中醫診療》), Baduanjin health gymnastics (《八段錦健康體操》), which effectively conveyed the Company's values and enhanced the cultural awareness and cohesion among leaders and employees.

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 of 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 various levels of employee training on, among others, business capability and management skills. At the same time, we invited industrial experts to give dedicated training sessions on various topics.

During the Reporting Period, a total of 19,608 training hours was completed by 129 employees. (a total of 12,317 training hours was completed in 2020)

Development and Training	Unit	2021	2020
Percentage of Employees Trained by Employee Category			
Senior Management	Percentage	100	100
Mid Level Management	Percentage	100	100
Base Level 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	180	105
Mid Level Management	Hour	162	106
Base Level Employees	Hour	148	102
Average Training Hours Completed per Employee by Gender			
Female	Hour	152	101
Male	Hour	152	104

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 asset management 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.

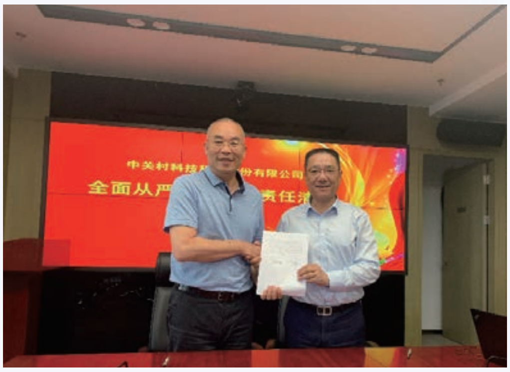
Anti-Corruption education activities in 2021:

– the responsibility system of the party construction and restrict corruption, signing the list of responsibilities for comprehensively and strictly administering the party (《全面從嚴治黨責任清單》) with the Company's employees of all levels

– 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 actively responded to the national poverty alleviation strategy by purchasing poverty alleviation products in Tibet and Qinghai for nearly RMB160,000, which contribute to the development of local industries.

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 152 to 243, which comprise the consolidated statement of financial position as at December 31, 2021, 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, 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with 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 loans and 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: Loans and 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 loans and 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 loans and receivables, depending on whether credit risk on the loans and receivables has increased significantly since initial recognition and whether the loans and receivables are 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 loans and 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 loans and 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)

<table>
<tr><th colspan="2">Allowances for impairment losses of loans and receivables</th></tr>
<tr><td colspan="2">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: Loans and receivables".</td></tr>
<tr><th>The Key Audit Matter</th><th>How the matter was addressed in our audit</th></tr>
<tr><td>We identified the impairment of loans and 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.</td><td>• 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 and loan agreements, by selecting samples and comparing individual loans and receivables information with the underlying agreements and other related documentation to assess the accuracy of compilation of the loans and receivables list;

• for key parameters involving judgement, by seeking evidence from external sources and comparing to the Group's internal records including type of collateral. 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.</td></tr>
</table>

KEY AUDIT MATTERS (continued)

Allowances for impairment losses of loans and 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: Loans and receivables".	
The Key Audit Matter	**How the matter was addressed in our audit**
	• for selected samples of loans and 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 loans and receivables where the credit risk of the loans and receivables has not, or has, increased significantly since initial recognition, respectively; and • evaluating whether the disclosures on allowances for impairment losses of loans and 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 18, 2022

Consolidated Statements of Profit or Loss

For the year ended December 31, 2021
(Expressed in Renminbi ("**RMB**"))

	Note	2021 RMB'000	2020 RMB'000
Interest income		**541,367**	480,944
Advisory fee income		**115,576**	106,621
Revenue	3	**656,943**	587,565
Other net income	4	**14,423**	19,079
Interest expense	5	**(246,545)**	(232,839)
Operating expense	6	**(129,407)**	(116,141)
Impairment losses charged	7	**(53,004)**	(44,467)
Share of gains/(losses) of associates		**19,391**	(1,687)
Net foreign exchange (losses)/gains		**(175)**	3,999
Profit before taxation		**261,626**	215,509
Income tax expense	8	**(65,709)**	(54,043)
Profit for the year		**195,917**	161,466
Attributable to:			
Equity shareholders of the Company		**195,917**	161,466
Profit for the year		**195,917**	161,466
Basic and diluted earnings per share (in RMB)	11	**0.15**	0.12

The notes on pages 160 to 243 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, 2021
(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Profit for the year		**195,917**	161,466
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)		**349**	371
Total comprehensive income for the year		**196,266**	161,837
Attributable to:			
Equity shareholders of the Company		**196,266**	161,837
Total comprehensive income for the year		**196,266**	161,837

The notes on pages 160 to 243 form part of these financial statements.

Consolidated Statements of Financial Position

As at December 31, 2021
(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Non-current assets			
Property and equipment	13	**42,265**	13,037
Intangible assets	14	**13,574**	10,305
Loans and receivables	15	**3,778,745**	3,431,726
Financial assets at fair value through other comprehensive income	16	**11,986**	11,521
Financial assets at fair value through profit and loss		**1,000**	–
Interest in associates	17	**116,219**	72,328
Other assets	18	**634**	544
Deferred tax assets	19(b)	**66,638**	53,224
		4,031,061	3,592,685
Current assets			
Loans and receivables	15	**4,694,087**	3,950,430
Other assets	18	**34,081**	70,836
Pledged and restricted deposits		**19,231**	137,830
Cash and cash equivalents	20	**650,163**	413,273
		5,397,562	4,572,369
Current liabilities			
Borrowings	21	**2,831,819**	3,068,052
Income tax payable	19(a)	**32,144**	26,319
Trade and other liabilities	22	**1,073,230**	1,301,405
		3,937,193	4,395,776
Net current assets		**1,460,369**	176,593
Total assets less current liabilities		**5,491,430**	3,769,278
Non-current liabilities			
Borrowings	21	**2,539,257**	1,084,994
Trade and other liabilities	22	**898,092**	768,469
		3,437,349	1,853,463
NET ASSETS		**2,054,081**	1,915,815

The notes on pages 160 to 243 form part of these financial statements.

Consolidated Statements of Financial Position

As at December 31, 2021
(Expressed in RMB)

	Note	**2021 RMB'000**	2020 RMB'000
CAPITAL AND RESERVES	23		
Share capital		**1,333,334**	1,333,334
Reserves		**720,747**	582,481
Total equity attributable to equity shareholders of the Company		**2,054,081**	1,915,815
TOTAL EQUITY		**2,054,081**	1,915,815

Approved and authorised for issue by the board of directors on March 18, 2022.

DUAN Hongwei	**HE Rongfeng**
Chairman	*General manager*

The notes on pages 160 to 243 form part of these financial statements.

Consolidated Statements of Changes in Equity

For the year ended December 31, 2021
(Expressed in RMB)

		Attributable to equity shareholders of the Company						
	Note	Share 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, 2021		1,333,334	331,149	29,936	1,610	110,470	109,316	1,915,815
Changes in equity for 2021:								
Profit for the year		–	–	–	–	–	195,917	195,917
Other comprehensive income		–	–	–	349	–	–	349
Total comprehensive income		–	–	–	349	–	195,917	196,266
Appropriation to statutory reserve	23(d)(i)	–	–	19,616	–	–	(19,616)	–
Dividends approved in respect of the previous year	23(e)	–	–	–	–	–	(58,000)	(58,000)
At December 31, 2021		1,333,334	331,149	49,552	1,959	110,470	227,617	2,054,081

The notes on pages 160 to 243 form part of these financial statements.

Consolidated Statements of Changes in Equity

For the year ended December 31, 2021
(Expressed in RMB)

		Attributable to equity shareholders of the Company						
	Note	Share 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 160 to 243 form part of these financial statements.

Consolidated Cash Flows Statements

For the year ended December 31, 2021
(Expressed in RMB)

	Note	2021 RMB'000	2020 RMB'000
Operating activities			
Profit before taxation		**261,626**	215,509
Adjustments for:			
Share of (gains)/losses of associates		**(19,391)**	1,687
Interest expense	5	**189,177**	186,719
Impairment losses charged	7	**53,004**	44,467
Depreciation and amortisation	6(b)	**19,131**	14,164
Other expenses		**11,414**	11,566
Foreign exchange losses/(gains)		**165**	(4,066)
Operating profit before changes in working capital		**515,126**	470,046
Changes in working capital			
Decrease/(Increase) in pledged and restricted deposits		**118,599**	(96,266)
Increase in loans and receivables		**(1,143,748)**	(1,002,753)
Decrease in trade and other receivables		**34,267**	68,653
(Decrease)/Increase in trade and other liabilities		**(127,264)**	649,489
Cash used in operations		**(603,020)**	89,169
PRC income taxes paid	19(a)	**(73,414)**	(51,945)
Net cash (used in)/generated from operating activities		**(676,434)**	37,224
Investing activities			
Proceeds from disposal and redemption of investments		**281**	731
Payments on investment in associates		**(24,500)**	(24,500)
Payments on acquisition of investments		**(1,000)**	–
Payment for purchase of equipment and intangible assets		**(5,567)**	(10,146)
Net cash used in investing activities		**(30,786)**	(33,915)

The notes on pages 160 to 243 form part of these financial statements.

Consolidated Cash Flows Statements

For the year ended December 31, 2021
(Expressed in RMB)

	Note	2020 RMB'000	2019 RMB'000
Financing activities			
Proceeds from borrowings	20(b)	**5,703,456**	3,662,822
Proceeds from issue of H shares		**–**	447,286
Capital element of lease rentals paid	20(b)	**(9,175)**	(12,167)
Repayment of borrowings	20(b)	**(4,479,681)**	(3,668,714)
Interest element of lease rentals paid	20(b)	**(1,206)**	(774)
Payments for listing expenses		**–**	(17,729)
Interest paid	20(b)	**(194,932)**	(191,937)
Other borrowing costs paid	20(b)	**(16,342)**	(10,864)
Dividends paid to equity shareholders of the Company	23(e)	**(58,000)**	(50,000)
Net cash generated from financing activities		**944,120**	157,923
Foreign exchange loss		**(10)**	(65)
Net increase in cash and cash equivalents		**236,890**	161,167
Cash and cash equivalents at the beginning of the year		**413,273**	252,106
Cash and cash equivalents at the end of the year	20(a)	**650,163**	413,273

The notes on pages 160 to 243 form part of these financial statements.

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, 2021 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 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest rate benchmark reform – phase 2*

- Amendment to IFRS 16, *Covid-19-related rent concessions beyond 30 June* 2021

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(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 – 5 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) Leased 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.

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Leased 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) Leased 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 rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in IFRS 16, Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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) Leased 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 fair value through profit or loss ("**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.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

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.

(Expressed in RMB unless otherwise indicated)

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;

– loans and receivables: discount rate used in the measurement of loans and receivables;

– 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.

(Expressed in RMB unless otherwise indicated)

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 loans and 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.

(Expressed in RMB unless otherwise indicated)

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.

(Expressed in RMB unless otherwise indicated)

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.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost, using the effective interest method and including an 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. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(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). A portion of the carrying amount of a corporate asset (for example, head office building) is allocated to an individual cash-generating unit if the allocation can be done on a reasonable and consistent basis, or to the smallest group of cash-generating units if otherwise.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Impairment of non-financial assets (continued)

– *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.

– *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.

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

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.

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.

(Expressed in RMB unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Income tax (continued)

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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue and other income (continued)

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)).

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Revenue and other income (continued)

(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.

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Related parties (continued)

(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);

(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.

1 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(Expressed in RMB unless otherwise indicated)

2 ACCOUNTING JUDGEMENT AND ESTIMATES (continued)

– 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, 2021 and 2020, 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	**2021 RMB'000**	2020 RMB'000
Interest income			
– Finance lease receivables		**52,162**	62,364
– Sale-and-leaseback transactions		**487,829**	418,580
– Intellectual property lease transactions		**1,376**	–
Advisory fee income	(i)		
– Management advisory fee income		**38,968**	30,529
– Policy advisory fee income		**76,608**	76,092
		656,943	587,565

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	2021 RMB'000	2020 RMB'000
Interest from deposits		**5,885**	5,297
Government grants	(i)	**5,490**	13,194
Income from a related party		**2,575**	–
Investment income		**281**	451
Others		**192**	137
		14,423	19,079

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

	2021 RMB'000	2020 RMB'000
Borrowings	**146,155**	140,646
Borrowings from related parties	**41,816**	45,299
Imputed interest expense on interest-free guaranteed deposits from lessees	**57,368**	46,120
Interest expense on lease liabilities	**1,206**	774
	246,545	232,839

(Expressed in RMB unless otherwise indicated)

6 OPERATING EXPENSE

Profit before taxation is arrived at after charging:

(a) Staff costs

	Note	2021 RMB'000	2020 RMB'000
Salaries, bonuses and allowances		**51,933**	55,402
Social insurance and other benefits		**19,139**	12,247
Cash-settled share-based payments	24(d)	**913**	39
Subtotal		**71,985**	67,688

(b) Other items

	2021 RMB'000	2020 RMB'000
Depreciation charge		
– owned equipment	**681**	646
– right-of-use assets	**14,564**	11,296
Amortisation cost of		
– intangible assets	**3,518**	2,147
– others	**368**	75
Auditor's remuneration	**2,453**	2,453
Other rental expenses	**2,207**	2,289

(Expressed in RMB unless otherwise indicated)

7 IMPAIRMENT LOSSES CHARGED

	Note	**2021** **RMB'000**	2020 RMB'000
Loans and receivables	15(c)	**53,072**	44,724
Credit commitments	22(a)	**(68)**	(257)
		53,004	44,467

8 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(a) Taxation in the consolidated statements of profit or loss:

	Note	**2021** **RMB'000**	2020 RMB'000
Current tax			
– PRC Enterprise Income Tax ("**EIT**")			
Provision for the year		**79,239**	63,770
Deferred income tax			
– Origination of temporary differences	19(b)	**(13,530)**	(9,727)
		65,709	54,043

(Expressed in RMB unless otherwise indicated)

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	2021 RMB'000	2020 RMB'000
Profit before taxation		**261,626**	215,509
Notional tax on profit before taxation, calculated at the rates applicable in the jurisdictions concerned	(i)	**65,407**	53,877
Tax effect of non-deductible expenses		**242**	228
Others		**60**	(62)
Income tax expense for the year		**65,709**	54,043

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.

(Expressed in RMB unless otherwise indicated)

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

	2021					
	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)	–	–	–	–	48	48
Lou Yixiang (婁毅翔)	–	–	–	–	–	–
Zhang Shuqing (張書清)	–	–	–	–	–	–
Li Peng (李鵬) (resigned on March 19, 2021)	–	–	–	–	–	–
Du Yunchao (杜雲超) (assigned on May 28, 2021)	–	–	–	–	–	–
Executive directors						
He Rongfeng (何融峰)	–	743	960	–	48	1,751
Huang Wen (黃聞)	–	699	300	–	38	1,037
Independent non-executive directors						
Cheng Dongyue (程東躍)	–	150	–	–	–	150
Wu Tak Lung (吳德龍)	–	150	–	–	–	150
Lin Zhen (林禎)	–	150	–	–	–	150
Supervisors						
Zhang Jian (張健)	–	–	–	–	–	–
Tian Anping (田安平)	–	–	–	–	–	–
Fang Fang (方放)	–	–	–	–	–	–
Long Limin (龍利民) (resigned on March 19, 2021)	–	–	–	–	–	–
Kan Wei (闞巍) (assigned on May 28, 2021)	–	–	–	–	–	–
Tong Chao (佟超)	–	620	300	–	–	920
Zhou Di (周迪)	–	480	144	–	–	624
Han Nana (韓娜娜)	–	321	81	–	–	402
Total	–	3,313	1,785	–	134	5,232

(Expressed in RMB unless otherwise indicated)

9 DIRECTORS' AND SUPERVISORS' REMUNERATION (continued)

	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

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, there were two directors (2020: two) of the Group for the year ended December 31, 2021, whose emoluments are disclosed in Note 9. The aggregate of the emoluments in respect of the other three (2020: three) individuals are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	**2,324**	1,724
Discretionary bonuses	**1,140**	2,303
Cash-settled share-based payment	**115**	6
Total	**3,579**	4,033

The emoluments of the other individuals with the highest emoluments are all within the following bands:

	2021 Number of individuals	2020 Number of individuals
HKD1,000,001 – HKD1,500,000	**2**	1
HKD1,500,001 – HKD2,000,000	**1**	2

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

11 BASIC AND DILUTED EARNINGS PER SHARE

	2021	2020
Profit attributable to equity shareholders of the Company (RMB'000)	195,917	161,466
Weighted average number of ordinary shares (in thousands)	1,333,334	1,315,119
Basic and diluted earnings per share attributable to equity shareholders of the Company (in RMB per share)	0.15	0.12

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, 2021 and 2020.

Weighted average number of ordinary shares (in thousands)

	2021	2020
Number of ordinary shares as at January 1	1,333,334	1,000,000
Increase in weighted average number of ordinary shares	–	315,119
Weighted average number of ordinary shares at December 31	1,333,334	1,315,119

12 OTHER COMPREHENSIVE INCOME

	2021			2020		
	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)	465	(116)	349	495	(124)	371

(Expressed in RMB unless otherwise indicated)

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, 2020	30,482	1,539	836	799	33,656
Additions	–	1,840	166	648	2,654
Disposals	–	(32)	–	–	(32)
As at December 31, 2020/ January 1, 2021	30,482	3,347	1,002	1,447	36,278
Additions	43,123	712	156	539	44,530
Disposals	(23,404)	(83)	(6)	(827)	(24,320)
As at December 31, 2021	50,201	3,976	1,152	1,159	56,488
Accumulated depreciation					
As at 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/ January 1, 2021	(20,368)	(1,375)	(624)	(874)	(23,241)
Charge for the year	(14,105)	(536)	(122)	(482)	(15,245)
Written back on disposals	23,404	26	6	827	24,263
As at December 31, 2021	(11,069)	(1,885)	(740)	(529)	(14,223)
Net carrying amount					
As at December 31, 2021	39,132	2,091	412	630	42,265
As at December 31, 2020	10,114	1,972	378	573	13,037

(Expressed in RMB unless otherwise indicated)

14 INTANGIBLE ASSETS

	December 31, 2021 RMB'000	December 31, 2020 RMB'000
Cost		
At the beginning of the year	**14,406**	8,348
Additions	**6,787**	6,058
At the end of the year	**21,193**	14,406
Accumulated amortisation		
At the beginning of the year	**(4,101)**	(1,954)
Charge for the year	**(3,518)**	(2,147)
At the end of the year	**(7,619)**	(4,101)
Carrying amount		
At the beginning of the year	**10,305**	6,394
At the end of the year	**13,574**	10,305

Intangible assets mainly represent software.

(Expressed in RMB unless otherwise indicated)

15 LOANS AND RECEIVABLES

	Note	December 31, 2021 RMB'000	December 31, 2020 RMB'000
Minimum finance lease receivables			
Within one year		**523,767**	652,869
More than one year and not more than five years		**216,625**	269,732
Gross amount of finance lease receivables		**740,392**	922,601
Less: Unearned finance income		**(50,160)**	(69,507)
Net amount of finance lease receivables		**690,232**	853,094
Receivables from sale-and-leaseback transactions	(i)	**7,812,185**	6,711,416
Receivables from intellectual property lease transactions		**205,841**	–
Loans and receivables		**8,708,258**	7,564,510
Less:			
Provision for finance lease receivables		**(105,829)**	(84,178)
Provision for receivables from sale-and-leaseback transactions		**(128,885)**	(98,176)
Provision for intellectual property lease transactions		**(712)**	–
Provision for loans and receivables		**(235,426)**	(182,354)
Total		**8,472,832**	7,382,156

Note:

(i) Receivables from sale-and-leaseback transactions which do not satisfy sales under IFRS 15 for the seller-lessees, were recognised as loans and receivables in accordance with IFRS 9.

(Expressed in RMB unless otherwise indicated)

15 LOANS AND RECEIVABLES (continued)

Analysis for reporting purpose as:

	December 31, 2021 RMB'000	December 31, 2020 RMB'000
Non-current assets	**3,778,745**	3,431,726
Current assets	**4,694,087**	3,950,430
Total	**8,472,832**	7,382,156

The loans and receivables with net amount of approximately RMB2,604.9 million and RMB2,038.1 million were pledged as collaterals for the Group's loan borrowings as at December 31, 2021 and 2020, respectively (see Note 21(i)).

The loans and receivables with net amount of approximately RMB1,514.8 million and RMB998.3 million were pledged as collaterals for the Group's asset-backed securities as at December 31, 2021 and 2020, respectively (see Note 21(ii)). The loans and receivables with net amount of approximately RMB1,073.2 million were pledged as collaterals for the Group's asset-backed notes as at December 31, 2021 (see Note 21(ii)).

Loans and 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, 2021, the lessees' deposits of RMB1,076.0 million were pledged for related loans and receivables (December 31, 2020: RMB1,015.2 million), see Note 22.

(Expressed in RMB unless otherwise indicated)

15 LOANS AND RECEIVABLES (continued)

(a) Present value of minimum finance lease receivables:

	December 31, 2021 RMB'000	December 31, 2020 RMB'000
Not more than one year	**483,829**	596,374
More than one year and not later than five years	**206,403**	256,720
Total	**690,232**	853,094

(b) Loans and receivables and allowances for impairment losses:

	December 31, 2021			
	12-month ECL	**Lifetime ECL not credit-impaired**	**Lifetime ECL credit-impaired**	**Total**
Net amount of loans and receivables	**8,312,446**	**2,719**	**393,093**	**8,708,258**
Less: Allowances for impairment losses	**(44,075)**	**(28)**	**(191,323)**	**(235,426)**
Carrying amount of loans and receivables	**8,268,371**	**2,691**	**201,770**	**8,472,832**

	December 31, 2020			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Net amount of loans and 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 loans and receivables	7,032,146	44,191	305,819	7,382,156

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

15 LOANS AND RECEIVABLES (continued)

(c) Changes in allowance for impairment losses of loans and receivables are as follows:

	December 31, 2021			
	12-month ECL	Lifetime ECL not credit-impaired	Lifetime ECL credit-impaired	Total
Balance at January 1, 2021	**35,826**	**1,989**	**144,539**	**182,354**
Transfer:				
– to lifetime ECL not credit-impaired	**(18)**	**18**	**–**	**–**
– to lifetime ECL credit-impaired	**(23)**	**(1,965)**	**1,988**	**–**
Charge	**8,290**	**(14)**	**44,796**	**53,072**
Balance at December 31, 2021	**44,075**	**28**	**191,323**	**235,426**

	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

16 FINANCIAL ASSETS AT FVOCI

	Note	**December 31, 2021 RMB'000**	December 31, 2020 RMB'000
Equity securities designated at FVOCI (non-recycling)			
– Unlisted equity securities	(i)	**11,986**	11,521

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 RMB0.3 million were received on this investment in 2021 (2020: RMB0.5 million).

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	RMB2.0 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	RMB200.0 million	49%	49%	Investment management

(Expressed in RMB unless otherwise indicated)

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	
	2021	2020	**2021**	2020
	RMB'000	RMB'000	**RMB'000**	RMB'000
Gross amount of the associate				
Total assets	**2,335**	2,773	**235,596**	146,044
Total liabilities	**(738)**	(1,158)	**(2)**	(39)
Net assets	**1,597**	1,615	**235,594**	146,005
Revenue	**3,093**	3,611	**792**	–
Profit/(loss) for the year	**(20)**	693	**39,588**	(3,995)
Reconciled to the Group's interests in the associates				
Gross amounts of net assets of the associate	**1,597**	1,615	**235,594**	146,005
Group's effective interest	**39%**	39%	**49%**	49%
Group's share of net assets of the associate	**778**	785	**115,441**	71,543
Carrying amount in the consolidated financial statements	**778**	785	**115,441**	71,543

18 OTHER ASSETS

	Note	December 31, 2021 RMB'000	December 31, 2020 RMB'000
Non-current assets			
Other assets		634	544
Current assets			
Deductible value-added tax (VAT)		22,239	56,361
Advance payments		6,319	7,695
Due from related parties	27(c)	3,108	2,675
Notes receivable		1,400	1,040
Other receivables		1,015	3,065
		34,081	70,836
Total		34,715	71,380

19 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Income tax payable

	December 31, 2021 RMB'000	December 31, 2020 RMB'000
At the beginning of the year	26,319	14,494
Provision for income tax for the year	79,239	63,770
Income tax paid	(73,414)	(51,945)
At the end of the year	32,144	26,319

(Expressed in RMB unless otherwise indicated)

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, 2021 and 2020 are as follows:

Deferred tax arising from:	Revaluation of FVOCI	Revenue with EIT paid in prior years	Revaluation of Equity Investments	Allowance for impairment losses	Accrued staff costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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/ January 1, 2021	**(2,130)**	**3,068**	**–**	**45,613**	**6,673**	**53,224**
Charged to profit or loss	**–**	**5,805**	**(4,850)**	**13,251**	**(676)**	**13,530**
Charged to other comprehensive income	**(116)**	**–**	**–**	**–**	**–**	**(116)**
December 31, 2021	**(2,246)**	**8,873**	**(4,850)**	**58,864**	**5,997**	**66,638**

20 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	December 31, 2021	December 31, 2020
	RMB'000	RMB'000
Cash on hand	**–**	7
Deposits with banks	**650,163**	413,266
Cash and cash equivalents	**650,163**	413,273

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 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

(Expressed in RMB unless otherwise indicated)

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 2021	4,153,046	5,994	25,155	4,184,195
Changes from financing cash flows:				
Capital element of lease rentals paid	–	(9,175)	–	(9,175)
Proceeds from borrowings	5,703,456	–	–	5,703,456
Repayment of borrowings	(4,479,681)	–	–	(4,479,681)
Interest element of lease rentals paid	–	(1,206)	–	(1,206)
Interest paid	–	–	(194,932)	(194,932)
Other borrowing costs paid	(16,342)	–	–	(16,342)
Other changes:				
Increase in lease liabilities from entering into new leases during the year	–	43,665	–	43,665
Interest expense	–	1,206	187,971	189,177
Other borrowing costs	16,342	–	–	16,342
Interest adjustment for asset-backed securities	(5,745)	–	–	(5,745)
As at 31 December 2021	5,371,076	40,484	18,194	5,429,754

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:

	2021 RMB'000	2020 RMB'000
Within operating cash flows	**872**	1,086
Within financing cash flows	**10,381**	12,941
	11,253	14,027

21 BORROWINGS

	Note	December 31, 2021 RMB'000	December 31, 2020 RMB'000
Bank loans			
– pledged	(i)	**1,248,758**	1,394,087
– unsecured		**904,348**	940,915
Borrowings from related parties			
– pledged	(i)	**900,000**	800,000
Asset-backed securities	(ii)	**2,317,970**	1,018,044
		5,371,076	4,153,046

(Expressed in RMB unless otherwise indicated)

21 BORROWINGS (continued)

Analysis for reporting purpose as:

	December 31, 2021 RMB'000	December 31, 2020 RMB'000
Non-current liabilities	**2,539,257**	1,084,994
Current liabilities	**2,831,819**	3,068,052
	5,371,076	4,153,046

Notes:

(i) As at December 31, 2021, loans amounting to RMB2,148.8 million were pledged by loans and receivables (December 31, 2020: RMB2,194.1 million)(see Note 15).

(ii) On November 26, 2021, the Company issued asset-backed securities with two tranches: senior tranche Class A with principal amount of RMB359.0 million, coupon rate of 3.80% and an expected maturity date on August 21, 2023; senior tranche Class B with principal amount of RMB100.0 million, coupon rate of 3.80% and an expected maturity date on February 20, 2024; junior tranche with principal amount of RMB25.0 million and an expected maturity date on August 20, 2024. The Company holds all junior tranche asset-backed securities.

On October 26, 2021, the Company issued asset-backed notes with two tranches: senior tranche Class A1 with principal amount of RMB540.0 million, coupon rate of 3.80% and an expected maturity date on April 20, 2023; senior tranche Class A2 with principal amount of RMB190.0 million, coupon rate of 4.10% and an expected maturity date on October 20, 2023; senior tranche Class B with principal amount of RMB210.0 million, coupon rate of 3.98% and an expected maturity date on January 20, 2024; junior tranche with principal amount of RMB50.0 million and an expected maturity date on July 20, 2024. The Company holds all junior tranche asset-backed securities.

On August 24, 2021 the Company issued asset-backed securities with two tranches: senior tranche Class A1 with principal amount of RMB320.0 million, coupon rate of 4.00% and an expected maturity date on June 30, 2023; senior tranche Class A2 with principal amount of RMB60.0 million, coupon rate of 4.00% and an expected maturity date on December 31, 2023; senior tranche Class B with principal amount of RMB110.0 million, coupon rate of 4.00% and an expected maturity date on June 30, 2024; junior tranche with principal amount of RMB26.0 million and an expected maturity date on December 31, 2026. The Company holds all junior tranche asset-backed securities.

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.

21 BORROWINGS (continued)

Notes: (continued)

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.

As at December 31, 2021, the borrowings were repayable as follows:

	2021 **RMB'000**	2020 RMB'000
Within one year	**2,831,819**	3,068,052
After 1 year but within 2 years	**2,363,754**	981,726
After 2 years but within 5 years	**175,503**	103,268
	5,371,076	4,153,046

The ranges of contractual interest rates on the borrowings are as follows:

	December 31, **2021**	December 31, 2020
Range of interest rates:	**3.79% – 5.46%**	3.85% – 5.70%

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

22 TRADE AND OTHER LIABILITIES

	Note	December 31, 2021 RMB'000	December 31, 2020 RMB'000
Current liabilities			
Notes payable		**528,474**	738,322
Guaranteed deposits from lessees		**323,245**	370,252
Accounts payable		**97,483**	42,349
VAT to be collected in the following period		**58,524**	75,608
Accrued staff costs	22(c)	**26,122**	31,261
Interest payable		**18,194**	25,155
Lease liabilities	22(b)	**12,423**	1,946
Receipts in advance		**3,785**	7,583
VAT payable and other tax payable		**1,105**	784
Other payables		**3,875**	8,145
		1,073,230	1,301,405
Non-current liabilities			
Guaranteed deposits from lessees		**752,715**	644,903
Deferred revenue		**91,004**	86,856
Lease liabilities	22(b)	**28,061**	4,048
VAT to be collected in the following period		**25,330**	32,525
Accrued staff costs	24(a)	**952**	39
Provision for credit commitments	22(a)	**30**	98
		898,092	768,469
Total		**1,971,322**	2,069,874

22 TRADE AND OTHER LIABILITIES (continued)

(a) Provision for credit commitments

	2021			
	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, 2021	98	–	–	98
Reversal	(68)	–	–	(68)
Balance at December 31, 2021	30	–	–	30

	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

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, 2021:

	December 31, 2021		December 31, 2020	
	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	**12,423**	**14,006**	1,946	2,564
After 1 year but within 2 years	**11,555**	**12,645**	2,681	2,828
After 2 years but within 5 years	**16,506**	**17,171**	1,367	1,414
	40,484	**43,822**	5,994	6,806
Less: total future interest expenses		**(3,338)**		(812)
Present value of lease liabilities		**40,484**		5,994

(c) Accrued staff costs

Contributions to the defined contribution retirement plan, include the social pension insurance schemes and the retirement benefit annuity plan, are recognized as expenses when incurred, and there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

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 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, 2020	1,000,000	252,761	13,814	1,239	–	124,322	1,392,136
Changes in equity for 2019							
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)
Conversion into joint stock company	333,334	78,388	–	–	–	–	411,722
At December 31, 2020/ January 1, 2021	1,333,334	331,149	29,936	1,610	110,470	108,948	1,915,447
Changes in equity for 2021							
Profit for the year	**–**	**–**	**–**	**–**	**–**	**196,159**	**196,159**
Other comprehensive income	**–**	**–**	**–**	**349**	**–**	**–**	**349**
Total comprehensive income	**–**	**–**	**–**	**349**	**–**	**196,159**	**196,508**
Appropriation to statutory reserve	**–**	**–**	**19,616**	**–**	**–**	**(19,616)**	**–**
Dividends approved in respect of the previous years	**–**	**–**	**–**	**–**	**–**	**(58,000)**	**(58,000)**
At December 31, 2021	**1,333,334**	**331,149**	**49,552**	**1,959**	**110,470**	**227,491**	**2,053,955**

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Share 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 H share full circulation on April 14, 2021, the Company's registered share capital includes 840,000,000 domestic shares and 493,334,000 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)).

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

23 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Reserves (continued)

(iii) General reserve

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)》)" (the "**Guidelines**") issued on April 7, 2020, the Company maintained a general reserve within equity, through the appropriation of net profit, which should be no less than 1.5% of the year end balance of gross risk-bearing assets in 2020. Since the Guidelines were annulled on July 15, 2021, there is no requirement for the Company to appropriate its net profit to general reserve in future.

(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 18, 2022, the profit distributed in cash by the Company to its equity shareholders amounted to RMB60.0 million (2020: RMB58.0 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 2021 was RMB58.0 million (2020: RMB50.0 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:

	2021 **RMB'000**	2020 RMB'000
Total carrying amount of liabilities for SARs	**952**	39
Total intrinsic value of liabilities for vested benefits	**–**	–

(Expressed in RMB unless otherwise indicated)

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:

	2021	2020
Fair value at measurement date (in RMB)	**0.09**	0.29
Share price (in HKD)	**0.8**	1.1
Exercise price (in RMB)	**1**	1
Expected volatility	**35.39%**	35.73%
Expected life (year)	**4.0**	5.0
Expected dividends	**0%**	0%
Risk-free interest rate	**1.25%**	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, 2021	**12,670,000**	**RMB1**
Granted during the year	**–**	**–**
Outstanding at December 31, 2021	**12,670,000**	**RMB1**
Exercisable at December 31, 2021	**–**	**–**

The SARs outstanding at December 31, 2021 had an exercise price of RMB1 and a remaining contractual life of 4 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, 2021 RMB'000	December 31, 2020 RMB'000
Cash and cash equivalents	**650,163**	413,273
Pledged and restricted deposits	**19,231**	137,830
Loans and receivables	**8,708,258**	7,564,510
Notes and other receivables	**5,523**	6,780
Total	**9,383,175**	8,122,393

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 26(a).

(i) Loans and 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, 2021,1.54% of the total net amounts of loans and receivables was due from the Group's largest customer (December 31, 2020: 2.03%), and 5.75% of the total net amounts of loans and receivables was due from the Group's five largest customers (December 31, 2020: 7.38%).

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) Loans and 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 loans and 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.

(Expressed in RMB unless otherwise indicated)

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 loans and receivables by industry is set out below:

	December 31, 2021		December 31, 2020	
	RMB'000	%	RMB'000	%
ECO–solutions	3,033,358	33%	2,754,961	34%
Intelligent manufacturing	1,956,225	21%	1,404,890	17%
Life sciences & healthcare	1,870,665	20%	1,606,226	20%
Internet-based products & services	1,266,527	13%	1,241,914	15%
Big data	980,000	10%	996,613	12%
Others	281,621	3%	192,663	2%
Total	9,388,396	100%	8,197,267	100%

(Expressed in RMB unless otherwise indicated)

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 loans and receivables by area is set out below:

	December 31, 2021		December 31, 2020	
	RMB'000	**%**	RMB'000	%
North China	**4,029,551**	**43%**	3,876,258	47%
East China	**2,614,658**	**28%**	1,772,308	22%
Central China	**953,682**	**10%**	902,541	11%
South China	**574,227**	**6%**	554,754	7%
Northwest	**516,561**	**6%**	568,027	7%
Northeast	**403,847**	**4%**	259,459	3%
Southwest	**295,870**	**3%**	263,920	3%
Total	**9,388,396**	**100%**	8,197,267	100%

The overall ECL rate for loans and receivables are summarized as follows:

	December 31, 2021			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and receivables	**0.53%**	**1.03%**	**48.67%**	**2.70%**

	December 31, 2020			
	Stage 1	Stage 2	Stage 3	Total
Loans and receivables	0.51%	4.31%	32.09%	2.41%

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 loans and receivables by credit quality is set out below:

	December 31, 2021 RMB'000	December 31, 2020 RMB'000
12-month ECL balance	**8,312,446**	7,067,972
Lifetime ECL not credit-impaired balance		
– Not overdue	**2,238**	140
– Less than 1 month (inclusive)	**–**	24,268
– 1 to 3 months (inclusive)	**481**	21,772
Lifetime ECL credit-impaired	**393,093**	450,358
Net amount of loans and receivables	**8,708,258**	7,564,510
Less: Allowances for impairment losses	**(235,426)**	(182,354)
Total	**8,472,832**	7,382,156

(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.

(Expressed in RMB unless otherwise indicated)

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 2021 as the foreign currency balance of the Group at the end of the reporting period is immaterial.

(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, 2021.

	2021 **RMB'000**	2020 RMB'000
Retained profits		
+ 100 basis points	**12,743**	8,426
– 100 basis points	**(12,743)**	(8,426)

(Expressed in RMB unless otherwise indicated)

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	Within1 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, 2021						
Cash and cash equivalent	650,163	–	–	–	–	650,163
Pledged and restricted deposits	–	–	–	19,231	–	19,231
Loans and receivables	455,134	286,061	996,510	3,627,499	4,023,192	9,388,396
Financial assets at FVOCI	11,986	–	–	–	–	11,986
Financial assets at FVTPL	1,000	–	–	–	–	1,000
Other assets – notes and other receivables	10	900	–	500	4,113	5,523
Total financial assets	1,118,293	286,961	996,510	3,647,230	4,027,305	10,076,299
Borrowings	–	91,172	588,680	2,151,967	2,546,797	5,378,616
Trade and other liabilities	2,637	86,793	235,484	667,476	870,656	1,863,046
Lease liabilities	–	38	3,464	10,504	29,816	43,822
Total financial liabilities	2,637	178,003	827,628	2,829,947	3,447,269	7,285,484
Net exposure	1,115,656	108,958	168,882	817,283	580,036	2,790,815

25 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Liquidity risk (continued)

	Indefinite/ overdue/on demand RMB'000	Within1 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
Loans and 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

(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, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at FVOCI	**–**	**–**	**11,986**	**11,986**
Financial assets at FVTPL	**–**	**–**	**1,000**	**1,000**
Total	**–**	**–**	**12,986**	**12,986**

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets at FVOCI	–	–	11,521	11,521

For the years ended December 31, 2021 and 2020, 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 investments	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:

	2021 **RMB'000**	2020 RMB'000
Unlisted equity securities:		
At the beginning of the year	**11,521**	11,026
Payments on acquisition of investments	**1,000**	–
Net unrealised gains or losses recognised in other comprehensive income during the year	**465**	495
At the end of the year	**12,986**	11,521

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

26 COMMITMENTS AND CONTINGENT LIABILITIES

(a) Credit commitments

The Group's non-cancellable credit commitments are primarily loans and receivables that have been contracted, but not provided for. As at December 31, 2021, the Group's non-cancellable credit commitments amounted to RMB5.0 million (December 31, 2020: RMB38.1 million).

(b) Capital commitments

As at December 31, 2021, the unpaid capital investment against Beijing Zhongnuo Tongchuang Investment Fund Management Co., Ltd. (北京中 同 投資基金管理有限公司) and Jiangsu Zhongguancun Zhongnuo Xietong Investment Fund (Limited Partnership)(江苏中關村中 同投資基金合夥企业(有限合夥)) was RMB3.1 million and nil (December 31, 2020: RMB3.1 million and RMB24.5 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.

(Expressed in RMB unless otherwise indicated)

27 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Transaction amounts with related parties:

	2021 RMB'000	2020 RMB'000
Trade related		
Repayment of loans and receivables from a related party	3,957	4,384
Interest income from loans and receivables to a related party	167	409
Non-trade related		
Borrowing related		
Borrowings from a related party	1,200,000	300,000
Repayment of borrowings from a related party	1,100,000	700,000
Interest expenses arising from borrowings from related parties	41,816	45,299
Lending related		
Decrease of lease prepayment to a related party	3,123	–
Repayment from a related party	–	280
Guarantee related		
Increase of guarantees from a related party	189,857	105,146
Payment of guarantee fee to a related party	1,034	920
Others		
Payment for the lease of house rental, property management and parking fee to a related party	9,932	12,483
Other income from a related party	2,575	–
Payment of other receivables of related parties	1,136	1,163
Increase of deposits for rental	433	–

Notes to the Financial Statements

(Expressed in RMB unless otherwise indicated)

27 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(c) The balances of transactions with related parties:

	Note	December 31, 2021 RMB'000	December 31, 2020 RMB'000
Trade related			
Security deposits payable to a related party		**912**	1,585
Loans and receivables from a related party		**630**	4,410
Non-trade related			
Borrowing related			
Borrowings payable to a related party	(i)	**900,000**	800,000
Interest payable to a related party	(ii)	**1,304**	12,396
Lending related			
Lease prepayment to a related party		**–**	3,123
Guarantee related			
Balance of guarantees received from a related party		**541,325**	351,468
Others			
Deposits for rental	(iii)	**3,107**	2,674
Other receivables from a related party		**1**	1

Notes:

(i) As at December 31, 2021, this represents long-term borrowings from Zhongguancun Development Group Co., Ltd., which will be due within two years.

(ii) As at December 31, 2021, this represents interest payable to Zhongguancun Development Group Co., Ltd., which will be due within one year.

(iii) As at December 31, 2021, this represents deposits for rental to Zhongguancun Development Group Co., Ltd., which will be due within three years.

(Expressed in RMB unless otherwise indicated)

27 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(d) Transactions with key management personnel

	2021 RMB'000	2020 RMB'000
Key management personnel remuneration	8,679	9,318

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	December 31, 2021 RMB'000	December 31, 2020 RMB'000
Non-current assets		
Property and equipment	42,265	13,037
Intangible assets	13,574	10,305
Loans and receivables	3,778,745	3,431,726
Financial assets at fair value through other comprehensive income	11,986	11,521
Financial assets at fair value through profit and loss	1,000	–
Interest in associates	116,219	72,328
Other assets	634	544
Deferred tax assets	66,638	53,224
	4,031,061	3,592,685
Current assets		
Loans and receivables	4,694,087	3,950,430
Other assets	34,081	70,836
Pledged and restricted deposits	18,183	137,462
Cash and cash equivalents	650,163	413,273
	5,396,514	4,572,001
Current liabilities		
Borrowings	2,831,819	3,068,052
Income tax payable	32,144	26,319
Trade and other liabilities	1,072,308	1,301,405
	3,936,271	4,395,776

28 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION (continued)

	December 31, 2021 RMB'000	December 31, 2020 RMB'000
Net current assets	**1,460,243**	176,225
Total assets less current liabilities	**5,491,304**	3,768,910
Non-current liabilities		
Borrowings	**2,539,257**	1,084,994
Trade and other liabilities	**898,092**	768,469
	3,437,349	1,853,463
NET ASSETS	**2,053,955**	1,915,447
CAPITAL AND RESERVES		
Share capital	**1,333,334**	1,333,334
Reserves	**720,621**	582,113
TOTAL EQUITY	**2,053,955**	1,915,447

Approved and authorised for issue by the board of directors on March 18, 2022.

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 loans and 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, 2021, the number of consolidated structured entities of the Group was five (December 31, 2020: two). As at December 31, 2021, the total assets of the consolidated structured entities amounted to RMB2,394.5 million (December 31, 2020: RMB1,067.8 million).

30 COMPARATIVE FIGURES

Certain comparative figures have been adjusted to conform to current year's presentation.

31 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Company's profit distribution plan is detailed in Note 23(e).

32 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At December 31, 2021, 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)

33 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021 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
Amendments to IAS 1, *Classification of liabilities as current or non-current*	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of accounting policies*	January 1, 2023
Amendments to IAS 8, *Definition of accounting estimates*	January 1, 2023
Amendments to IAS 12, *Deferred tax related to assets and liabilities arising from a single transaction*	January 1, 2023

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.

Definitions

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

"2021 AGM"	the AGM to be held on May 20, 2022
"ABS"	assets-backed securities
"AGM"	annual general meeting of the Company
"Articles" or "Articles of Association"	the articles of association of the Company
"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, Macau and Taiwan
"close associate"	has the meaning ascribed to it in the Listing Rules
"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 on August 16, 2019, or its predecessor

Definitions

"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
"Director(s)"	the director(s) of the Company
"Domestic Shares"	ordinary shares issued by the Company, with a nominal value of RMB1.00, which are subscribed for or credited as paid in RMB
"H Share(s)"	overseas listed foreign shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, 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 are listed and from which dealings therein are 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 shareholder of Domestic Shares
"Nomination Committee"	the nomination committee of the Company
"PBOC"	People's Bank of China (中國人民銀行), the central bank of the PRC
"Remuneration Committee"	the remuneration committee of the Company

"Reporting Period"	For the year ended 31 December 2021
"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)"	ordinary share(s) of RMB1.00 each in capital of the Company, comprising the Domestic Shares and the H Shares
"Shareholder(s)"	holder(s) of Shares
"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 shareholder of Domestic Shares
"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 one of the Controlling Shareholders
"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 one of the Controlling Shareholders
"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 one of the Controlling Shareholders
"%"	per cent